

## **2005 DRAFTING REQUEST**

### **Bill**

Received: **11/16/2004**

Wanted: **As time permits**

For: **Legislative Council - LRC**

This file may be shown to any legislator: **NO**

May Contact:

Subject: **Employ Pub - retirement**

Received By: **rchampag**

Identical to LRB:

By/Representing: **Nick Zavos**

Drafter: **rchampag**

Addl. Drafters:

Extra Copies:

Submit via email: **YES**

Requester's email: **laura.rose@legis.state.wi.us**

Carbon copy (CC:) to: **don.dyke@legis.state.wi.us**

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### **Pre Topic:**

No specific pre topic given

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### **Topic:**

Renaming the Fixed Retirement Investment Trust Fund

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### **Instructions:**

See Attached.

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### **Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?							
/P1	rchampag 11/22/2004	lkunkel 12/08/2004	rschluet 12/08/2004	_____	lnorthro 12/08/2004		
/P2	rchampag 11/03/2005	lkunkel 11/03/2005	pgreensl 11/04/2005	_____	lnorthro 11/04/2005		
/1	rchampag 11/14/2005	lkunkel 11/14/2005	jfrantze 11/15/2005	_____	sbasford 11/15/2005	mbarman 11/17/2005	

FE Sent For:

**<END>**

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11/mk 11/14  
11/14  
11/14  
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Addl. Drafters:

Subject: **Employ Pub - retirement**

Extra Copies:

Submit via email: **YES**

Requester's email: *laura.rose*  
*nicholas.zavos* @legis.state.wi.us

Carbon copy (CC:) to: *rick.champagne* @legis.state.wi.us

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### Pre Topic:

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### Topic:

Renaming the Fixed Retirement Investment Trust Fund ✓

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### Instructions:

See Attached.

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FE Sent For:

*/p2lmk 11/3*

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*ps*

*ps 1096*  
<END>

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pl/mk 12/8

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FE Sent For:

appeal or, if that amount is insufficient, the balance shall be deducted from the employee's earnings except the amount deducted from each earnings payment shall be not less than 10% nor more than 25% of the earnings payment. If the employee terminates employment the employer shall notify the department of the amount not yet repaid, including any interest due, at the same time it notifies the department of the termination of employment, and the department shall repay to the employer the balance of the amount due from retentions made under s. 40.08 (4). The employer may charge interest at a rate not in excess of the current year's assumed rate on any amount unpaid at the end of any calendar year after the year of reinstatement.

*These provisions change the rate of interest from effective rate to assumed rate or other rate as determined by Department rule. The effective rate is not known until the following year. Using the assumed rate, that is a known rate, enables the Department to assess interest as necessary at the time of payment. No fiscal impact.*

## **12. Fixed Fund Name Change**

0874  
Replace the Fixed Retirement Investment Trust Fund with the "Core Retirement Investment Trust Fund" in statutes. See Attachment 1. No fiscal impact.

## **13. Life Insurance Program Provisions**

### **Amend s. 40.70 (1) (b) to read:**

Section 40.70 (1) (b). The employee files ~~with the department~~ an application, pursuant to contract or rules promulgated by the secretary, to be effective on a date fixed by the department, for one or more of the types of coverage established under this subchapter. The group insurance board may provide a different method of enrollment than provided under this subsection.

*The policy and procedures for submission of life insurance applications are currently set by contract. The proposed change in statutes will conform with current Department policy and procedures. No fiscal impact.*

### **Amend s. 40.70 (6) to read:**

Section 40.70 (6) Except as provided in sub. (7m), any employee who has not applied for coverage under sub. (1) within ~~6 months~~ the time period specified by rule or contract after becoming eligible for coverage or any employee whose insurance terminates under sub. (8) shall not thereafter become insured for that coverage unless ~~prior to the attainment of age 55~~ the employee furnishes evidence of insurability satisfactory to the insurer, at his or her own expense. If the evidence is approved, the employee shall become insured on the first day of the first month beginning after the approval.

*Currently, Wis. Stat. § 40.70(6), states that any employee who has not applied for life insurance coverage within six months of becoming eligible must file evidence of insurability satisfactory to the insurer. This has not been the practice for many years. Prior to 1983, employees were automatically enrolled after six months of employment unless they waived coverage. In 1983, the department included a provision in the contract that requires employees to apply for life insurance coverage within 30 days after becoming eligible for*





State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-0874/P1  
RAC:lmk

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

GenCat

- 1 AN ACT ...; relating to: changing the name of the fixed retirement investment  
2 trust to the core retirement investment trust (suggested as remedial legislation  
3 by the Department of Employee Trust Funds).

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*Analysis by the Legislative Reference Bureau*

This bill changes the name of the fixed retirement investment trust to the core retirement investment trust. ✓

This bill is explained in the NOTES provided by the Joint Legislative Council in the bill. ✓

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the department of employee trust funds and introduced by the Law Revision Committee under s. 13.83 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the Law Revision Committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy. ✕

- 4 SECTION 1. 25.14 (1) (a) 2. of the statutes is amended to read:  
5 25.14 (1) (a) 2. The ~~fixed~~ <sup>✓</sup> core retirement investment trust.

1           **SECTION 2.** 25.17 (1) ~~(fm)~~ of the statutes is renumbered 25.17 (1) (br) and  
 2 amended to read:

3           25.17 (1) (br) ~~Fixed~~ core retirement investment trust (s. 40.04 (3));

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191; 1999 a. 9, 11, 63, 65, 83, 167, 196; 2001 a. 7, 13, 16, 92, 104, 109; 2003 a. 33, 35, 48, 91, 111, 299.

4           **SECTION 3.** 25.17 (3) ~~(a)~~ of the statutes is amended to read:

5           25.17 (3) (a) Invest the ~~fixed~~ core retirement investment trust, state life fund,  
 6 veterans trust fund, and injured patients and families compensation fund in loans,  
 7 securities, and any other investments authorized by s. 620.22, and in bonds or other  
 8 evidences of indebtedness or preferred stock of companies engaged in the finance  
 9 business whether as direct lenders or as holding companies owning subsidiaries  
 10 engaged in the finance business. Investments permitted by sub. (4) are permitted  
 11 investments under this subsection.

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191; 1999 a. 9, 11, 63, 65, 83, 167, 196; 2001 a. 7, 13, 16, 92, 104, 109; 2003 a. 33, 35, 48, 91, 111, 299.

12           **SECTION 4.** 25.17 (3) ~~(bh)~~ of the statutes is amended to read:

13           25.17 (3) (bh) Invest the ~~fixed~~ core retirement investment trust and state life  
 14 fund in loans secured by mortgages upon unencumbered and improved real property  
 15 in the United States or Canada when such real estate is leased to a corporation or  
 16 limited liability company incorporated, organized <sup>^</sup>or existing under the laws of the  
 17 United States or any state, district or territory thereof, or Canada or any province  
 18 thereof, whose income available for fixed charges for the period of 5 fiscal years next  
 19 preceding the date of the investment has averaged not less than 1.5 times its average  
 20 annual fixed charges applicable to such period, if there is pledged and assigned,  
 21 either absolutely or conditionally, as additional security for the loan either the lease

or sufficient of the rentals payable thereunder to repay the principal and interest of the loan within the unexpired term of the lease. Real property and leasehold estates are not encumbered within the meaning of this section by reason of the existence of unpaid assessments and taxes not delinquent, mineral, oil or timber rights, easements or rights-of-way for public highways, private roads, railroads, telegraph, telephone, electric light and power lines, drains, sewers or other similar easements or rights-of-way, liens for service and maintenance of water rights when not delinquent, party wall agreements, building restrictions, or other restrictive covenants or conditions, with or without a reversionary clause, or leases under which rents or profits are reserved to the owner. The foregoing limitations and restrictions shall not apply to real estate loans which are insured under the national housing act by the federal housing administration or to real estate loans made under ch. 219, or insured under policies of insurance issued by responsible mortgage insurance companies.

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191; 1999 a. 9, 11, 63, 65, 83, 167, 196; 2001 a. 7, 13, 16, 92, 104, 109; 2003 a. 33, 35, 48, 91, 111, 299.

**SECTION 5.** 25.17 (4) of the statutes is amended to read:

25.17 (4) Invest the funds of the ~~fixed~~ <sup>X</sup> core <sup>✓</sup> retirement investment trust in loans, securities, or investments in addition to those permitted by any other statute including investments in corporations or limited liability companies which are in the venture capital stage. The aggregate of the loans, securities, and investments made under this subsection shall not exceed ~~15%~~ <sup>15 percent</sup> of the admitted assets of that trust. Investments in corporations or limited liability companies which are in the venture capital stage shall not exceed ~~2%~~ <sup>2 percent</sup> of the admitted assets of that trust.

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c.

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**SECTION 6.** 25.17 (6) of the statutes is amended to read:

25.17 (6) Notwithstanding any other statute, transfers from the variable retirement investment trust to the fixed core retirement investment trust under s. 40.04 (7) may be made in cash or securities or both as determined by the board. The board shall determine market values for securities in the variable retirement investment trust as of the close of business on the last working day preceding a transfer. If securities are transferred, to the extent determined feasible by the board, a proportionate amount of all securities in even hundreds of shares of stock or even thousands of par value of bonds in the variable retirement investment trust shall be transferred. The board may hold or sell the transferred securities as it determines appropriate considering market and economic conditions. Any limitation on the percentage of assets in common stocks or in the stock of one company does not apply to the transferred securities, except the board shall, at such time as it determines that market, economic and other conditions are appropriate to the sale of the securities, sell sufficient transferred securities so as to comply with percentage of asset limitations.

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191; 1999 a. 9, 11, 63, 65, 83, 167, 196; 2001 a. 7, 13, 16, 92, 104, 109; 2003 a. 33, 35, 48, 91, 111, 299.

**SECTION 7.** 25.17 (14) (intro.) of the statutes is amended to read:

25.17 (14) (intro.) As of December 31 of each year, make and file with the department of employee trust funds a report of the value of the assets of the fixed core retirement investment trust and of the variable retirement investment trust,

determined as of that date at market value for the variable retirement investment trust and on the following basis for the fixed core retirement investment trust:

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191; 1999 a. 9, 11, 63, 65, 83, 167, 196; 2001 a. 7, 13, 16, 92, 104, 109; 2003 a. 33, 35, 48, 91, 111, 299.

**SECTION 8.** 25.17 (14) (g) of the statutes is amended to read:

25.17 (14) (g) With respect to all securities under pars. (a) to (e), the amount of any income or any adjustment in income shall be transferred to the current income account of the fixed core retirement investment trust under s. 40.04 (3).

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191; 1999 a. 9, 11, 63, 65, 83, 167, 196; 2001 a. 7, 13, 16, 92, 104, 109; 2003 a. 33, 35, 48, 91, 111, 299.

**SECTION 9.** 25.17 (15) of the statutes is amended to read:

25.17 (15) For purposes of the power and authority of the board to make investments, the “admitted assets” of the fixed core retirement investment trust or the variable retirement investment trust shall be the total valuation of the assets of such trust as set forth in the last report made under sub. (14).

**History:** 1971 c. 41 s. 12; 1971 c. 74; 1971 c. 100 s. 23; 1971 c. 125 s. 522 (1); 1971 c. 164; 1971 c. 214 s. 147; 1971 c. 260 s. 92 (3) to (5); 1973 c. 117, 137, 151; 1973 c. 208 s. 17; 1973 c. 209, 333, 336; 1975 c. 26, 27, 39, 118, 147, 164, 180, 189, 200, 422; 1977 c. 29 ss. 439 to 439f, 1654 (1); 1977 c. 31, 107, 377, 418, 423; 1979 c. 32; 1979 c. 34 ss. 705 to 707b, 2102 (56) (a); 1979 c. 102; 1979 c. 109 s. 16; 1979 c. 221; 1979 c. 318 ss. 1 to 3; 1979 c. 361 s. 113; 1981 c. 20, 86; 1981 c. 96 ss. 18 to 21, 67; 1981 c. 169, 386; 1983 a. 27; 1983 a. 36 ss. 31, 96 (4); 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 142, 189, 192, 368, 410; 1985 a. 25, 29, 53, 120; 1985 a. 332 s. 251 (1); 1987 a. 27, 38, 119, 186, 252, 399; 1989 a. 13, 31, 64, 187, 307, 335, 359, 366; 1991 a. 32, 38, 39, 152, 174, 221, 269, 315; 1993 a. 16, 112, 263, 477; 1995 a. 27 ss. 1394m to 1396, 9116 (5); 1995 a. 56, 213, 227, 274, 403; 1997 a. 27, 35, 191; 1999 a. 9, 11, 63, 65, 83, 167, 196; 2001 a. 7, 13, 16, 92, 104, 109; 2003 a. 33, 35, 48, 91, 111, 299.

**SECTION 10.** 25.18 (1) (o) of the statutes is amended to read:

25.18 (1) (o) Invest any of the assets of the permanent endowment fund in any investment that is an authorized investment for assets in the fixed core retirement investment trust under s. 25.17 (4) or assets in the variable retirement investment trust under s. 25.17 (5).

**History:** 1975 c. 39; 1983 a. 27, 192; 1985 a. 29; 1987 a. 27, 399; 1989 a. 119, 338, 366; 1991 a. 39; 1993 a. 112; 1995 a. 274; 1999 a. 11, 83; 2001 a. 16, 104; 2003 a. 299.

**SECTION 11.** 25.18 (2) (e) of the statutes is amended to read:

25.18 (2) (e) Contract with and delegate to investment advisers the management and control over assets from any fund or trust delivered to such

investment advisers for investment in real estate, mortgages, equities, and debt and pay such advisers fees from the current income of the fund or trust being invested.

③ No more than 15% of the total assets of the fixed core retirement investment trust  
④ or 15 percent of the total assets of the variable retirement investment trust may be delivered to investment advisers. The board shall set performance standards for such investment advisers, monitor such investments to determine if performance standards are being met and if an investment adviser does not consistently meet the performance standards then terminate the contract with such investment adviser.

History: 1975 c. 39; 1983 a. 27, 192; 1985 a. 29; 1987 a. 27, 399; 1989 a. 119, 338, 366; 1991 a. 39; 1993 a. 112; 1995 a. 274; 1999 a. 11, 83; 2001 a. 16, 104; 2003 a. 299.

SECTION 12. 25.187 (2) (c) 3. a. of the statutes is amended to read:

25.187 (2) (c) 3. a. Determine the total market value of the assets of the funds according to the methodology used to determine the market value of the fixed core retirement investment trust under s. 25.17 (14).

History: 1999 a. 9, 185.

SECTION 13. 40.02 (7) of the statutes is amended to read:

40.02 (7) "Assumed rate" means the probable average effective rate expected to be earned for the fixed core annuity division on a long-term basis. The assumed rate shall be a rate of 8 percent and the actuarial assumption for across-the-board salary increases for the purpose of valuing the liabilities of the Wisconsin Retirement System shall be 3.4 percent less than the assumed rate unless due to changed economic circumstances the actuary recommends and the board approves a different rate. The assumed rate for a calendar year shall be used for all calculations of required contributions and reserves for participants, except as provided in s. 40.04 (4) (a) 2., 2g and 2m., and the amount of any lump sum benefit paid instead of an annuity,

1 except it shall not be used for any purpose for which the assumed benefit rate is to  
2 be used under sub. (6).

**History:** 1981 c. 96, 187, 250, 274, 386; 1983 a. 9, 27; 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 106, 140; 1983 a. 141 ss. 1 to 3, 20; 1983 a. 191 ss. 1, 6; 1983 a. 192 s. 304; 1983 a. 255 s. 6; 1983 a. 275, 290, 368; 1983 a. 435 s. 7; 1985 a. 29, 225; 1985 a. 332 ss. 52, 251 (1); 1987 a. 27, 62, 83, 107, 309, 340, 356, 363, 372, 399; 1987 a. 403 ss. 43 to 45, 256; 1989 a. 13, 14, 31; 1989 a. 56 s. 259; 1989 a. 166, 182, 189, 218, 230, 240, 323, 327, 336, 355, 357, 359; 1991 a. 32, 39, 113, 152, 229, 269, 315; 1993 a. 16, 263, 383, 490, 491; 1995 a. 27, ss. 1946 to 1953, 9130 (4); 1995 a. 81, 88, 89, 216, 240, 302, 381, 417; 1997 a. 3, 27, 39, 69, 110, 162, 237, 238; 1999 a. 9, 11, 42, 63, 65, 83; 2001 a. 16, 38, 103, 104, 109; 2003 a. 33.

3 **SECTION 14.** 40.02 (23) (a) of the statutes is amended to read:

4 40.02 (23) (a) For the ~~fixed~~ core annuity division, the rate, disregarding  
5 fractions of less than one-tenth of one percent, determined by dividing the remaining  
6 ~~fixed~~ core annuity division investment earnings for the calendar year or part of the  
7 calendar year, after making provision for any necessary reserves and after deducting  
8 prorated interest and the administrative costs of the ~~fixed~~ core annuity division for  
9 the year, by the ~~fixed~~ core annuity division balance at the beginning of the calendar  
10 year as adjusted for benefit payments and refunds paid during the year excluding  
11 prorated interest.

**History:** 1981 c. 96, 187, 250, 274, 386; 1983 a. 9, 27; 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 106, 140; 1983 a. 141 ss. 1 to 3, 20; 1983 a. 191 ss. 1, 6; 1983 a. 192 s. 304; 1983 a. 255 s. 6; 1983 a. 275, 290, 368; 1983 a. 435 s. 7; 1985 a. 29, 225; 1985 a. 332 ss. 52, 251 (1); 1987 a. 27, 62, 83, 107, 309, 340, 356, 363, 372, 399; 1987 a. 403 ss. 43 to 45, 256; 1989 a. 13, 14, 31; 1989 a. 56 s. 259; 1989 a. 166, 182, 189, 218, 230, 240, 323, 327, 336, 355, 357, 359; 1991 a. 32, 39, 113, 152, 229, 269, 315; 1993 a. 16, 263, 383, 490, 491; 1995 a. 27, ss. 1946 to 1953, 9130 (4); 1995 a. 81, 88, 89, 216, 240, 302, 381, 417; 1997 a. 3, 27, 39, 69, 110, 162, 237, 238; 1999 a. 9, 11, 42, 63, 65, 83; 2001 a. 16, 38, 103, 104, 109; 2003 a. 33.

12 **SECTION 15.** 40.02 (23) (b) of the statutes is amended to read:

13 40.02 (23) (b) For the variable annuity division, the rate, disregarding fractions  
14 less than one percent, which will distribute the net gain or loss of the variable  
15 annuity division to the respective variable annuity balances and reserves using the  
16 same procedure as provided in par. (a) for the ~~fixed~~ core annuity division.

**History:** 1981 c. 96, 187, 250, 274, 386; 1983 a. 9, 27; 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 106, 140; 1983 a. 141 ss. 1 to 3, 20; 1983 a. 191 ss. 1, 6; 1983 a. 192 s. 304; 1983 a. 255 s. 6; 1983 a. 275, 290, 368; 1983 a. 435 s. 7; 1985 a. 29, 225; 1985 a. 332 ss. 52, 251 (1); 1987 a. 27, 62, 83, 107, 309, 340, 356, 363, 372, 399; 1987 a. 403 ss. 43 to 45, 256; 1989 a. 13, 14, 31; 1989 a. 56 s. 259; 1989 a. 166, 182, 189, 218, 230, 240, 323, 327, 336, 355, 357, 359; 1991 a. 32, 39, 113, 152, 229, 269, 315; 1993 a. 16, 263, 383, 490, 491; 1995 a. 27, ss. 1946 to 1953, 9130 (4); 1995 a. 81, 88, 89, 216, 240, 302, 381, 417; 1997 a. 3, 27, 39, 69, 110, 162, 237, 238; 1999 a. 9, 11, 42, 63, 65, 83; 2001 a. 16, 38, 103, 104, 109; 2003 a. 33.

17 **SECTION 16.** 40.02 (34) of the statutes is renumbered 40.02 (12r) and amended

18 to read:

40.02 (12r) "~~Fixed~~ Core annuity" means any annuity other than a variable annuity.

**History:** 1981 c. 96, 187, 250, 274, 386; 1983 a. 9, 27; 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 106, 140; 1983 a. 141 ss. 1 to 3, 20; 1983 a. 191 ss. 1, 6; 1983 a. 192 s. 304; 1983 a. 255 s. 6; 1983 a. 275, 290, 368; 1983 a. 435 s. 7; 1985 a. 29, 225; 1985 a. 332 ss. 52, 251 (1); 1987 a. 27, 62, 83, 107, 309, 340, 356, 363, 372, 399; 1987 a. 403 ss. 43 to 45, 256; 1989 a. 13, 14, 31; 1989 a. 56 s. 259; 1989 a. 166, 182, 189, 218, 230, 240, 323, 327, 336, 355, 357, 359; 1991 a. 32, 39, 113, 152, 229, 269, 315; 1993 a. 16, 263, 383, 490, 491; 1995 a. 27, ss. 1946 to 1953, 9130 (4); 1995 a. 81, 88, 89, 216, 240, 302, 381, 417; 1997 a. 3, 27, 39, 69, 110, 162, 237, 238; 1999 a. 9, 11, 42, 63, 65, 83; 2001 a. 16, 38, 103, 104, 109; 2003 a. 33.

**SECTION 17.** 40.03 (1) (h) of the statutes is amended to read:

40.03 (1) (h) May accept any gift, grant or bequest of any money or property of any kind, for the purposes designated by the grantor if the purpose is specified as providing cash benefits to some or all of the participants, insured employees or annuitants of this fund or for reducing employer or employee costs; or, if no purposes are designated, then for the purpose of distribution to the several accounts and Retirement System reserves of the Wisconsin retirement system at the end of the year as if the money or property were investment earnings of the ~~fixed core~~ annuity division.

**History:** 1981 c. 96 ss. 24, 32; 1981 c. 386; 1983 a. 247; 1985 a. 29; 1985 a. 332 ss. 53, 251 (1); 1987 a. 356; 1989 a. 31, 166, 323; 1991 a. 116, 141, 152, 269; 1993 a. 16; 1995 a. 302, 414; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 33.

**SECTION 18.** 40.03 (1) (n) of the statutes is amended to read:

40.03 (1) (n) May allow any separate retirement system for employees of one or more employers to deliver or send funds representing assets of that system to the department. If the department accepts delivery or transmission, the department shall purchase shares of the ~~fixed core~~ retirement investment trust or variable retirement investment trust or both with those funds, subject to rules under sub. (2) (q). Each retirement system shall pay as provided in s. 40.04 (2) for the costs of investing and administering any of its funds sent or delivered to the department.

**History:** 1981 c. 96 ss. 24, 32; 1981 c. 386; 1983 a. 247; 1985 a. 29; 1985 a. 332 ss. 53, 251 (1); 1987 a. 356; 1989 a. 31, 166, 323; 1991 a. 116, 141, 152, 269; 1993 a. 16; 1995 a. 302, 414; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 33.

**SECTION 19.** 40.04 (3) (intro.) of the statutes is amended to read:

40.04 (3) (intro.) A ~~fixed core~~ retirement investment trust and a variable retirement investment trust shall be maintained within the fund under the jurisdiction and management of the investment board for the purpose of managing



1 the investments of the retirement reserve accounts and of any other accounts of the  
2 fund as determined by the board, including the accounts of separate retirement  
3 systems. Within the ~~fixed~~ <sup>✓</sup> core retirement investment trust there shall be  
4 maintained a transaction amortization account and a market recognition account,  
5 and any other accounts as are established by the board or the investment board. A  
6 current income account shall be maintained in the variable retirement investment  
7 trust. All costs of owning, operating, protecting<sup>^</sup> and acquiring property in which  
8 either trust has an interest shall be charged to the current income or market  
9 recognition account of the trust having the interest in the property.

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

10 SECTION 20. 40.04 (3)<sup>✓</sup>(ab) of the statutes is amended to read:

11 40.04 (3) (ab) Beginning on December 31, 2000, the balance of the transaction  
12 amortization account shall be determined and ~~20%~~ <sup>20 percent</sup> <sub>^</sub> of the balance established on  
13 December 31, 2000, shall be distributed annually on December 31 to each  
14 participating account in the same ratio as each account's average daily balance  
15 within the ~~fixed~~ <sup>✓</sup> core retirement investment trust bears to the total average daily  
16 balance of all participating accounts in the trust until the balance of the transaction  
17 amortization account is entirely distributed. Notwithstanding sub. (3) (intro.), after  
18 the entire balance of the transaction amortization account has been distributed, the  
19 department shall close the account.

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

20 SECTION 21. 40.04 (3)<sup>✓</sup>(am) 1. of the statutes is amended to read:

21 40.04 (3) (am) 1. Beginning on January 1, 2000, there shall be maintained  
22 within the ~~fixed~~ <sup>✓</sup> core retirement investment trust a market recognition account. The  
23 department shall establish and administer the market recognition account as

recommended by the actuary or actuarial firm retained under s. 40.03 (1) (d) and as approved by the board.

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

**SECTION 22.** 40.04 (3) (am) 2. of the statutes is amended to read:

40.04 (3) (am) 2. Annually, the total market value investment return earned by the ~~fixed~~ core retirement investment trust during the year shall be credited to the market recognition account.

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

**SECTION 23.** 40.04 (3) (am) 3. (intro.) of the statutes is amended to read:

40.04 (3) (am) 3. (intro.) Annually, on December 31, the sum of all of the following shall be distributed from the market recognition account to each participating account in the ~~fixed~~ core retirement investment trust in the same ratio as each account's average daily balance bears to the total average daily balance of all participating accounts in the trust:

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

**SECTION 24.** 40.04 (3) (am) 3. a. of the statutes is amended to read:

40.04 (3) (am) 3. a. The expected amount of investment return in the ~~fixed~~ core retirement investment trust during the year based on the assumed rate.

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

**SECTION 25.** 40.04 (3) (am) 3. b. of the statutes is amended to read:

40.04 (3) (am) 3. b. An amount equal to 20 percent of the difference between the total market value investment return earned by the ~~fixed~~ core retirement investment trust and the expected amount of investment return of the ~~fixed~~ core retirement investment trust during the year ending on December 31 based on the assumed rate.

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

**SECTION 26.** 40.04 (3) (am) 3. c. of the statutes is amended to read:

1           40.04 (3) (am) 3. c. An amount equal to <sup>20 percent</sup>~~20%~~ of the sum of the differences  
2     between the total market value investment return earned by the fixed core  
3     retirement investment trust and the expected amount of investment return of the  
4     ~~fixed~~ core retirement investment trust at the end of the 4 preceding years. For the  
5     purpose of making this calculation, the amount in the market recognition account  
6     at the end of each year that occurs before the year 2000 shall be assumed to be zero.

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

7           **SECTION 27.** 40.04 (3) (b) of the statutes is amended to read:

8           40.04 (3) (b) The assets of the fixed core retirement investment trust shall be  
9     commingled and the assets of the variable retirement investment trust shall be  
10    commingled. No particular contributing benefit plan shall have any right in any  
11    specific item of cash, investment<sup>^</sup> or other property in either trust other than an  
12    undivided interest in the whole as provided in this paragraph. The department of  
13    administration shall maintain any records as may be required to account for each  
14    contributing account's share in the corresponding trust except that the employee  
15    accumulation reserve, the employer accumulation reserve and the annuity reserve  
16    shall be treated as a single account, except as provided in sub. (7).

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

17           **SECTION 28.** 40.04 (3) (d) of the statutes is amended to read: ✓

18           40.04 (3) (d) Notwithstanding par. (a), assets of the fixed core retirement  
19    investment trust which are authorized to be invested in common or preferred stock  
20    may, if authorized by rule, be invested as a part of the variable retirement investment  
21    trust with that portion of the annual distributions of net gains or losses to the fixed

1 core retirement investment trust from the variable retirement investment trust  
2 being credited to the market recognition account.

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

3 **SECTION 29.** 40.04<sup>X</sup>(4) (a) 2. of the statutes is amended to read:

4 40.04 (4) (a) 2. Credited as of each December 31 with interest on the prior year's  
5 closing balance at the effective rate on all employee required contribution  
6 accumulations in the variable annuity division, on all employee required  
7 contributions in the ~~fixed~~ core annuity division on December 31, 1984, on all  
8 employee required contributions in the ~~fixed~~ core annuity division of participants  
9 who are not participating employees after December 31, 1984, and on all employee  
10 and employer additional contribution accumulations and with interest on the prior  
11 year's closing balance at the assumed benefit rate on all employee required  
12 contribution accumulations in the ~~fixed~~ core annuity division for participants who  
13 are participating employees after December 31, 1984, but who terminated covered  
14 employment before December 30, 1999.

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

15 **SECTION 30.** 40.04<sup>X</sup>(4) (a) 2g. of the statutes is amended to read:

16 40.04 (4) (a) 2g. Credited as of each December 31, with interest on the prior  
17 year's closing balance at the effective rate on all employee required contribution  
18 accumulations in the ~~fixed~~ core annuity division for participants who are  
19 participating employees on or after December 30, 1999.

History: 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

20 **SECTION 31.** 40.04<sup>X</sup>(4) (a) 2m. of the statutes is amended to read:

21 40.04 (4) (a) 2m. Debited, if a participant terminates covered employment on  
22 or after January 1, 1990, but before December 30, 1999, and applies for a benefit  
23 under s. 40.25 (2), with an amount equal to the amount by which the ~~fixed~~ core

1 annuity division interest credited on or after January 1, 1990, but before December  
2 30, 1999, to employee required contributions, exceeds the interest crediting at an  
3 annual rate of ~~3%~~<sup>3 percent</sup> on each prior year's closing balance.

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

4 **SECTION 32.** 40.04 (5) (b) of the statutes is amended to read:

5 40.04 (5) (b) Credited, as of each December 31, all ~~fixed~~<sup>✓</sup> core annuity division  
6 interest not credited to other accounts and reserves under this section.

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

7 **SECTION 33.** 40.04 (7) (intro.) of the statutes is amended to read:

8 40.04 (7) (intro.) The reserves established under subs. (4), (5)<sup>^</sup> and (6) shall be  
9 divided both individually and for the purposes of sub. (3) between a ~~fixed~~<sup>✓</sup> core  
10 annuity division and a variable annuity division. All required and additional  
11 contributions shall be credited to the ~~fixed~~<sup>✓</sup> core annuity division except:

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

12 **SECTION 34.** 40.04 (7) (a) (intro.) of the statutes is amended to read:

13 40.04 (7) (a) (intro.) As otherwise elected by a participant prior to April 30,  
14 1980, or on or after January 1, 2001. Any participant who was a participant prior  
15 to April 30, 1980, and whose accounts on January 1, 1982, include credits segregated  
16 for a variable annuity shall have his or her required and additional contributions  
17 made on or after January 1, 1982, credited to the variable annuity division in a  
18 manner consistent with the participant's election prior to April 30, 1980, unless prior  
19 to January 1, 1982, the participant terminated such election under s. 40.85, 1979  
20 stats. Any participant who elects or has elected to have any of his or her credits  
21 segregated for a variable annuity on or after January 1, 2001, shall have ~~50%~~<sup>50 percent</sup> of his  
22 or her required and additional contributions made on or after the date of election  
23 credited to the variable annuity division. The department shall by rule provide that

any participant who elects or has elected variable participation prior to April 30, 1980, or on or after January 1, 2001, may elect to cancel that variable participation as to future contributions. The department's rules shall permit a participant who elects or has elected to cancel variable participation as to future contributions, or an annuitant, to elect to transfer previous variable contribution accumulations to the fixed <sup>✓</sup>core annuity division. A transfer of variable contribution accumulations under this paragraph shall result in the participant receiving the accrued gain or loss from the participant's variable participation. A participant may specify that election to cancel participation in the variable annuity division is conditional. If the participant so specifies the election is effective on the first date on which it may take effect on which the participant:

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

**SECTION 35.** 40.04 <sup>✓</sup>(7) (a) 2. of the statutes is amended to read:

40.04 (7) (a) 2. Is not an annuitant and the accumulated amount which is to be transferred to the fixed <sup>✓</sup>core annuity division is equal to or greater than the amount which would have accumulated if the segregated contributions had been originally credited to the fixed <sup>core</sup> annuity division.

**History:** 1981 c. 96, 386; 1983 a. 27, 141, 247, 504; 1987 a. 27, 83; 1989 a. 13, 14, 31, 355; 1991 a. 39, 141, 152, 269; 1995 a. 88, 89, 225, 240; 1997 a. 26, 69; 1999 a. 11; 2001 a. 16; 2003 a. 33.

**SECTION 36.** 40.05 <sup>✓</sup>(1) (a) 6. of the statutes is amended to read:

40.05 (1) (a) 6. Under the rules promulgated under s. 40.03 (2) (r), additional contributions, other than the first \$5,000 of contributions, or a beneficiary's <sup>✓</sup>prorated share thereof, that are attributable to a death benefit paid under s. 40.73, may be made to the fixed <sup>✓</sup>core annuity division by any participant by rollover contribution of a payment or distribution from a pension or annuity qualified under section 401 <sup>Internal Revenue Code</sup> of the ~~internal revenue code~~, subject to any limitations imposed on contributions by

1 Internal Revenue Code  
2 the ~~internal revenue code~~, applicable regulations adopted under the ~~internal~~  
3 ~~revenue code~~ and rules of the department.

History: 1981 c. 96, 274, 278, 386; 1983 a. 9 s. 6; 1983 a. 27, 30; 1983 a. 46 ss. 2 to 4, 7; 1983 a. 140; 1983 a. 141 ss. 7 to 12, 20; 1983 a. 290, 504, 538; 1985 a. 29, 119, 135, 225; 1987 a. 27, 83, 107, 309, 356, 363; 1987 a. 403 s. 256; 1989 a. 13, 14, 31, 119, 122, 166, 182, 189, 230, 336, 355, 359; 1991 a. 32, 39, 107, 113, 141, 152, 189, 269; 1995 a. 27, 81, 88, 89, 240, 302; 1997 a. 35, 58, 149; 1999 a. 9, 11, 13, 104; 2001 a. 16; 2003 a. 33 ss. 1004 to 1015, 9160; 2003 a. 69, 117.

3 SECTION 37. 40.05 (2) (g) 2. of the statutes is amended to read:

4 40.05 (2) (g) 2. Under the rules promulgated under s. 40.03 (2) (r), a participant  
5 may, as a payout option for the deferred compensation plan established under subch.  
6 VII, elect to have the entire balance in the participant's account under subch. VII  
7 treated as an additional contribution to the ~~fixed~~ core annuity division, subject to any  
8 limitations imposed on contributions by the Internal Revenue Code  
9 ~~internal revenue code~~ and rules of the department.

10 Additional contributions under this subdivision shall be available for all benefit  
11 purposes and shall be administered and invested on the same basis as employee  
12 additional contributions, except that ss. 40.24 (1) (f) and 40.25 (4) do not apply to  
13 additional contributions under this subdivision and s. 40.26 does not apply to an  
14 annuity received from additional contributions under this subdivision.

History: 1981 c. 96, 274, 278, 386; 1983 a. 9 s. 6; 1983 a. 27, 30; 1983 a. 46 ss. 2 to 4, 7; 1983 a. 140; 1983 a. 141 ss. 7 to 12, 20; 1983 a. 290, 504, 538; 1985 a. 29, 119, 135, 225; 1987 a. 27, 83, 107, 309, 356, 363; 1987 a. 403 s. 256; 1989 a. 13, 14, 31, 119, 122, 166, 182, 189, 230, 336, 355, 359; 1991 a. 32, 39, 107, 113, 141, 152, 189, 269; 1995 a. 27, 81, 88, 89, 240, 302; 1997 a. 35, 58, 149; 1999 a. 9, 11, 13, 104; 2001 a. 16; 2003 a. 33 ss. 1004 to 1015, 9160; 2003 a. 69, 117.

15 SECTION 38. 40.06 (5) of the statutes is amended to read:

16 40.06 (5) Whenever it is determined that contributions and premiums were not  
17 paid in the year when due, the amount to be paid shall be determined at the employee  
18 and employer contribution or premium rates in effect when the payment should have  
19 been made and increased by interest at the effective rate which would have been  
20 credited if the amount had been paid and deposited in the accumulation reserves of  
21 the ~~fixed~~ core annuity division under s. 40.04 (4) and (5) at the time the contributions  
22 or premiums were due. The employer shall collect from the employee the amount  
23 which the employee would have paid if the amounts had been paid when due, plus

1 the corresponding interest, and shall transmit the amount collected to the  
2 department together with the balance of the amount to be paid, or the employer may  
3 elect to pay part or all of the employee amounts.

History: 1981 c. 96, 386; 1983 a. 290, 368; 1987 a. 309; 1989 a. 13, 31, 166, 218; 1991 a. 152, 315; 1995 a. 27; 1999 a. 83; 2003 a. 33 ss. 1016, 9160.

4 **SECTION 39.** 40.08 (4) of the statutes is amended to read:

5 40.08 (4) RETENTION OF PAYMENTS. Unless voluntarily repaid and except as  
6 limited by sub. (10), the department may retain out of any annuity or benefit an  
7 amount as the department in its discretion may determine, for the purpose of  
8 reimbursing the appropriate benefit plan accounts for a balance due under s. 40.25  
9 (5) or for any money paid, plus interest at the effective rate of the ~~fixed~~<sup>✓</sup> core annuity  
10 division, to any person or estate, through misrepresentation, fraud<sup>✓</sup> or error. Upon  
11 the request of the department any employer shall withhold from any sum payable  
12 by the employer to any person or estate and remit to the department any amount,  
13 plus interest at the effective rate of the ~~fixed~~ core annuity division, which the  
14 department paid to the person or estate through misrepresentation, fraud<sup>✓</sup> or error.  
15 Any amount, plus interest at the effective rate, not recovered by the department from  
16 the employer may be procured by the department by action brought against the  
17 person or estate.

History: 1981 c. 96, 391; 1983 a. 290; 1985 a. 182 s. 57; 1987 a. 309; 1989 a. 31, 218; 1991 a. 141, 152; 1995 a. 302, 414; 1997 a. 35, 110, 125, 191, 237; 1999 a. 162; 2001 a. 61; 2003 a. 320.

18 **SECTION 40.** 40.23 (2m) (c) of the statutes is amended to read:

19 40.23 (2m) (c) The annuity which can be provided from a sum equal to 200 percent<sup>✓</sup>  
20 of the excess accruing after June 30, 1966, for teacher participants, or December 31,  
21 1965, for all other participants, of the participant's required contribution  
22 accumulation reserved for a variable annuity over the amount to which the  
23 contributions would have accumulated at the ~~fixed~~<sup>✓</sup> core annuity division effective  
24 rate if not so reserved. If the participant's required contribution accumulation



1 reserved for a variable annuity is less than the amount to which the contributions  
2 would have accumulated at the ~~fixed~~ core annuity division effective rate if not  
3 reserved, the annuity shall be reduced by the amount which could be provided by a  
4 sum equal to ~~200%~~ 200 percent of the deficiency.

**History:** 1981 c. 96, 386; 1983 a. 141, 267, 391; 1987 a. 309, 372; 1987 a. 403 s. 256; 1989 a. 13; 1989 a. 56 s. 259; 1991 a. 152; 1995 a. 225, 302, 414; 1997 a. 35, 69; 1999 a. 11; 2003 a. 33.

5 **SECTION 41.** ~~40.27~~ (2) (intro.) of the statutes is amended to read:

6 40.27 (2) ~~FIXED~~ CORE ANNUITY RESERVE SURPLUS DISTRIBUTIONS. (intro.)

7 Surpluses in the ~~fixed~~ core annuity reserve established under s. 40.04 (6) and (7)  
8 shall be distributed by the board if the distribution will result in at least a 0.5 percent  
9 increase in the amount of annuities in force, except as otherwise provided by the  
10 department by rule, on recommendation of the actuary, as follows:

**History:** 1981 c. 96; 1983 a. 290, 394; 1987 a. 27, 43; 1995 a. 302; 1997 a. 26; 2003 a. 153.

11 **SECTION 42.** ~~40.27~~ (2) (a) of the statutes is amended to read:

12 40.27 (2) (a) The distributions shall be expressed as percentage increases in the  
13 amount of the monthly annuity in force, including prior distributions of surpluses  
14 but not including any amount paid from funds other than the ~~fixed~~ core annuity  
15 reserve fund, preceding the effective date of the distribution. For purposes of this  
16 subsection, annuities in force include any disability annuity suspended because the  
17 earnings limitation had been exceeded by that annuitant in that year.

**History:** 1981 c. 96; 1983 a. 290, 394; 1987 a. 27, 43; 1995 a. 302; 1997 a. 26; 2003 a. 153.

18 **SECTION 43.** ~~40.27~~ (2) (b) of the statutes is amended to read:

19 40.27 (2) (b) Prorated percentages based on the annuity effective date may be  
20 applied to annuities with effective dates during the calendar year preceding the  
21 effective date of the distribution, as provided by rule, but no other distinction may  
22 be made among the various types of annuities payable from the ~~fixed~~ core annuity  
23 reserve.

**History:** 1981 c. 96; 1983 a. 290, 394; 1987 a. 27, 43; 1995 a. 302; 1997 a. 26; 2003 a. 153.

1           **SECTION 44.** 40.27 (2) (c) of the statutes is amended to read:

2           40.27 (2) (c) The distributions shall not be offset against any other benefit being  
3 received but shall be paid in full, nor shall any other benefit being received be  
4 reduced by the distributions. The annuity reserve surplus distributions authorized  
5 under this subsection may be revoked by the board in part or in total as to future  
6 payments upon recommendation of the actuary if a deficit occurs in the ~~fixed~~ core  
7 annuity reserves and such deficit would result in a 0.5 percent or greater decrease  
8 in the amount of annuities in force, except as otherwise provided by the department  
9 by rule.

History: 1981 c. 96; 1983 a. 290, 394; 1987 a. 27, 43; 1995 a. 302; 1997 a. 26; 2003 a. 153.

10           **SECTION 45.** 40.28 (1) (intro.) of the statutes is amended to read:

11           40.28 (1) (intro.) Any annuity provided to a participant whose accounts include  
12 credits segregated for a variable annuity shall consist of a ~~fixed~~ core annuity and a  
13 variable annuity.

History: 1981 c. 96.

14           **SECTION 46.** 40.28 (1) (b) of the statutes is amended to read:

15           40.28 (1) (b) The initial amount of the ~~fixed~~ core annuity shall be the excess of  
16 the total annuity payable, as determined under s. 40.23, over the amount of the  
17 variable annuity.

History: 1981 c. 96.

18           (END)



State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-0874/P1

RAC:lmk:rs

FRI

On P2  
keep RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

regm cJ

Reem ✓

1 AN ACT *to renumber and amend* 25.17 (1) (fm) and 40.02 (34); and *to amend*  
2 25.14 (1) (a) 2., 25.17 (3) (a), 25.17 (3) (bh), 25.17 (4), 25.17 (6), 25.17 (14) (intro.),  
3 25.17 (14) (g), 25.17 (15), 25.18 (1) (o), 25.18 (2) (e), 25.187 (2) (c) 3. a., 40.02 (7),  
4 40.02 (23) (a), 40.02 (23) (b), 40.03 (1) (h), 40.03 (1) (n), 40.04 (3) (intro.), 40.04  
5 (3) (ab), 40.04 (3) (am) 1., 40.04 (3) (am) 2., 40.04 (3) (am) 3. (intro.), 40.04 (3)  
6 (am) 3. a., 40.04 (3) (am) 3. b., 40.04 (3) (am) 3. c., 40.04 (3) (b), 40.04 (3) (d), 40.04  
7 (4) (a) 2., 40.04 (4) (a) 2g., 40.04 (4) (a) 2m., 40.04 (5) (b), 40.04 (7) (intro.), 40.04  
8 (7) (a) (intro.), 40.04 (7) (a) 2., 40.05 (1) (a) 6., 40.05 (2) (g) 2., 40.06 (5), 40.08  
9 (4), 40.23 (2m) (c), 40.27 (2) (intro.), 40.27 (2) (a), 40.27 (2) (b), 40.27 (2) (c), 40.28  
10 (1) (intro.) and 40.28 (1) (b) of the statutes; **relating to:** changing the name of  
11 the fixed retirement investment trust to the core retirement investment trust

(suggested as remedial legislation by the Department of Employee Trust Funds).

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***Analysis by the Legislative Reference Bureau***

This bill changes the name of the fixed retirement investment trust to the core retirement investment trust.

*This bill is explained in the NOTES provided by the Law Revision Committee of the Joint Legislative Council in the bill.* *(For further information, see)*

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the Department of Employee Trust Funds and introduced by the Law Revision Committee under s. 13.83 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the Law Revision Committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

**SECTION 1.** 25.14 (1) (a) 2. of the statutes is amended to read:

25.14 (1) (a) 2. The fixed core retirement investment trust.

**SECTION 2.** 25.17 (1) (fm) of the statutes is renumbered 25.17 (1) (br) and amended to read:

25.17 (1) (br) Fixed core retirement investment trust (s. 40.04 (3));

**SECTION 3.** 25.17 (3) (a) of the statutes is amended to read:

25.17 (3) (a) Invest the fixed core retirement investment trust, state life fund, veterans trust fund, and injured patients and families compensation fund in loans, securities, and any other investments authorized by s. 620.22, and in bonds or other evidences of indebtedness or preferred stock of companies engaged in the finance business whether as direct lenders or as holding companies owning subsidiaries engaged in the finance business. Investments permitted by sub. (4) are permitted investments under this subsection.

**SECTION 4.** 25.17 (3) (bh) of the statutes is amended to read:

1           25.17 (3) (bh) Invest the ~~fixed~~ core retirement investment trust and state life  
2 fund in loans secured by mortgages upon unencumbered and improved real property  
3 in the United States or Canada when such real estate is leased to a corporation or  
4 limited liability company incorporated, organized, or existing under the laws of the  
5 United States or any state, district or territory thereof, or Canada or any province  
6 thereof, whose income available for fixed charges for the period of 5 fiscal years next  
7 preceding the date of the investment has averaged not less than 1.5 times its average  
8 annual fixed charges applicable to such period, if there is pledged and assigned,  
9 either absolutely or conditionally, as additional security for the loan either the lease  
10 or sufficient of the rentals payable thereunder to repay the principal and interest of  
11 the loan within the unexpired term of the lease. Real property and leasehold estates  
12 are not encumbered within the meaning of this section by reason of the existence of  
13 unpaid assessments and taxes not delinquent, mineral, oil or timber rights,  
14 easements or rights-of-way for public highways, private roads, railroads, telegraph,  
15 telephone, electric light and power lines, drains, sewers or other similar easements  
16 or rights-of-way, liens for service and maintenance of water rights when not  
17 delinquent, party wall agreements, building restrictions, or other restrictive  
18 covenants or conditions, with or without a reversionary clause, or leases under which  
19 rents or profits are reserved to the owner. The foregoing limitations and restrictions  
20 shall not apply to real estate loans which are insured under the national housing act  
21 by the federal housing administration or to real estate loans made under ch. 219, or  
22 insured under policies of insurance issued by responsible mortgage insurance  
23 companies.

24           **SECTION 5.** 25.17 (4) of the statutes is amended to read:

1           25.17 (4) Invest the funds of the ~~fixed~~ core retirement investment trust in  
2       loans, securities, or investments in addition to those permitted by any other statute  
3       including investments in corporations or limited liability companies which are in the  
4       venture capital stage. The aggregate of the loans, securities, and investments made  
5       under this subsection shall not exceed ~~15%~~ 15 percent of the admitted assets of that  
6       trust. Investments in corporations or limited liability companies which are in the  
7       venture capital stage shall not exceed ~~2%~~ 2 percent of the admitted assets of that  
8       trust.

9           **SECTION 6.** 25.17 (6) of the statutes is amended to read:

10          25.17 (6) Notwithstanding any other statute, transfers from the variable  
11       retirement investment trust to the ~~fixed~~ core retirement investment trust under s.  
12       40.04 (7) may be made in cash or securities or both as determined by the board. The  
13       board shall determine market values for securities in the variable retirement  
14       investment trust as of the close of business on the last working day preceding a  
15       transfer. If securities are transferred, to the extent determined feasible by the board,  
16       a proportionate amount of all securities in even hundreds of shares of stock or even  
17       thousands of par value of bonds in the variable retirement investment trust shall be  
18       transferred. The board may hold or sell the transferred securities as it determines  
19       appropriate considering market and economic conditions. Any limitation on the  
20       percentage of assets in common stocks or in the stock of one company does not apply  
21       to the transferred securities, except the board shall, at such time as it determines  
22       that market, economic and other conditions are appropriate to the sale of the  
23       securities, sell sufficient transferred securities so as to comply with percentage of  
24       asset limitations.

25          **SECTION 7.** 25.17 (14) (intro.) of the statutes is amended to read:

1           25.17 (14) (intro.) As of December 31 of each year, make and file with the  
2 department of employee trust funds a report of the value of the assets of the ~~fixed~~ core  
3 retirement investment trust and of the variable retirement investment trust,  
4 determined as of that date at market value for the variable retirement investment  
5 trust and on the following basis for the ~~fixed~~ core retirement investment trust:

6           **SECTION 8.** 25.17 (14) (g) of the statutes is amended to read:

7           25.17 (14) (g) With respect to all securities under pars. (a) to (e), the amount  
8 of any income or any adjustment in income shall be transferred to the current income  
9 account of the ~~fixed~~ core retirement investment trust under s. 40.04 (3).

10          **SECTION 9.** 25.17 (15) of the statutes is amended to read:

11          25.17 (15) For purposes of the power and authority of the board to make  
12 investments, the “admitted assets” of the ~~fixed~~ core retirement investment trust or  
13 the variable retirement investment trust shall be the total valuation of the assets of  
14 such trust as set forth in the last report made under sub. (14).

15          **SECTION 10.** 25.18 (1) (o) of the statutes is amended to read:

16          25.18 (1) (o) Invest any of the assets of the permanent endowment fund in any  
17 investment that is an authorized investment for assets in the ~~fixed~~ core retirement  
18 investment trust under s. 25.17 (4) or assets in the variable retirement investment  
19 trust under s. 25.17 (5).

20          **SECTION 11.** 25.18 (2) (e) of the statutes is ~~amended~~ to read:

21          ~~25.18 (2) (e) Contract with and delegate to investment advisers the~~  
22 ~~management and control over assets from any fund or trust delivered to such~~  
23 ~~investment advisers for investment in real estate, mortgages, equities, and debt and~~  
24 ~~pay such advisers fees from the current income of the fund or trust being invested.~~  
25          No more than ~~15%~~ 15 percent of the total assets of the ~~fixed~~ core retirement

1 investment trust or ~~15%~~ 15 percent of the total assets of the variable retirement  
2 investment trust may be delivered to investment advisers. The board shall set  
3 ~~performance standards for such investment advisers, monitor such investments to~~  
4 ~~determine if performance standards are being met and if an investment adviser does~~  
5 ~~not consistently meet the performance standards then terminate the contract with~~  
6 such investment adviser.

7 **SECTION 12.** 25.187 (2) (c) 3. a. of the statutes is amended to read:

8 25.187 (2) (c) 3. a. Determine the total market value of the assets of the funds  
9 according to the methodology used to determine the market value of the fixed core  
10 retirement investment trust under s. 25.17 (14).

11 **SECTION 13.** 40.02 (7) of the statutes is amended to read:

12 40.02 (7) "Assumed rate" means the probable average effective rate expected  
13 to be earned for the fixed core annuity division on a long-term basis. The assumed  
14 rate shall be a rate of ~~8%~~ 8 percent and the actuarial assumption for  
15 across-the-board salary increases for the purpose of valuing the liabilities of the  
16 Wisconsin ~~retirement system~~ Retirement System shall be ~~3.4%~~ 3.4 percent less than  
17 the assumed rate unless due to changed economic circumstances the actuary  
18 recommends and the board approves a different rate. The assumed rate for a  
19 calendar year shall be used for all calculations of required contributions and reserves  
20 for participants, except as provided in s. 40.04 (4) (a) 2., 2g., and 2m., and the amount  
21 of any lump sum benefit paid instead of an annuity, except it shall not be used for any  
22 purpose for which the assumed benefit rate is to be used under sub. (6).

23 **SECTION 14.** 40.02 (23) (a) of the statutes is amended to read:

24 40.02 (23) (a) For the fixed core annuity division, the rate, disregarding  
25 fractions of less than one-tenth of one percent, determined by dividing the remaining



1 fixed core annuity division investment earnings for the calendar year or part of the  
2 calendar year, after making provision for any necessary reserves and after deducting  
3 prorated interest and the administrative costs of the fixed core annuity division for  
4 the year, by the fixed core annuity division balance at the beginning of the calendar  
5 year as adjusted for benefit payments and refunds paid during the year excluding  
6 prorated interest.

7 **SECTION 15.** 40.02 (23) (b) of the statutes is amended to read:

8 40.02 (23) (b) For the variable annuity division, the rate, disregarding fractions  
9 less than one percent, which will distribute the net gain or loss of the variable  
10 annuity division to the respective variable annuity balances and reserves using the  
11 same procedure as provided in par. (a) for the fixed core annuity division.

12 **SECTION 16.** 40.02 (34) of the statutes is renumbered 40.02 (12r) and amended  
13 to read:

14 40.02 (12r) "Fixed Core annuity" means any annuity other than a variable  
15 annuity.

16 **SECTION 17.** 40.03 (1) (h) of the statutes is amended to read:

17 40.03 (1) (h) May accept any gift, grant, or bequest of any money or property  
18 of any kind, for the purposes designated by the grantor if the purpose is specified as  
19 providing cash benefits to some or all of the participants, insured employees, or  
20 annuitants of this fund or for reducing employer or employee costs; or, if no purposes  
21 are designated, then for the purpose of distribution to the several accounts and  
22 reserves of the Wisconsin ~~retirement system~~ Retirement System at the end of the  
23 year as if the money or property were investment earnings of the fixed core annuity  
24 division.

25 **SECTION 18.** 40.03 (1) (n) of the statutes is amended to read:

Handwritten notes: "Insert 7-16" with an arrow pointing to line 16.

1           40.03 (1) (n) May allow any separate retirement system for employees of one  
2 or more employers to deliver or send funds representing assets of that system to the  
3 department. If the department accepts delivery or transmission, the department  
4 shall purchase shares of the fixed core retirement investment trust or variable  
5 retirement investment trust or both with those funds, subject to rules under sub. (2)  
6 (q). Each retirement system shall pay as provided in s. 40.04 (2) for the costs of  
7 investing and administering any of its funds sent or delivered to the department.

8           **SECTION 19.** 40.04 (3) (intro.) of the statutes is amended to read:

9           40.04 (3) (intro.) A fixed core retirement investment trust and a variable  
10 retirement investment trust shall be maintained within the fund under the  
11 jurisdiction and management of the investment board for the purpose of managing  
12 the investments of the retirement reserve accounts and of any other accounts of the  
13 fund as determined by the board, including the accounts of separate retirement  
14 systems. Within the fixed core retirement investment trust there shall be  
15 maintained a transaction amortization account and a market recognition account,  
16 and any other accounts as are established by the board or the investment board. A  
17 current income account shall be maintained in the variable retirement investment  
18 trust. All costs of owning, operating, protecting, and acquiring property in which  
19 either trust has an interest shall be charged to the current income or market  
20 recognition account of the trust having the interest in the property.

21           **SECTION 20.** 40.04 (3) (ab) of the statutes is amended to read:

22           40.04 (3) (ab) Beginning on December 31, 2000, the balance of the transaction  
23 amortization account shall be determined and ~~20%~~ 20 percent of the balance  
24 established on December 31, 2000, shall be distributed annually on December 31 to  
25 each participating account in the same ratio as each account's average daily balance

1 within the ~~fixed~~ core retirement investment trust bears to the total average daily  
2 balance of all participating accounts in the trust until the balance of the transaction  
3 amortization account is entirely distributed. Notwithstanding sub. (3) (intro.), after  
4 the entire balance of the transaction amortization account has been distributed, the  
5 department shall close the account.

6 **SECTION 21.** 40.04 (3) (am) 1. of the statutes is amended to read:

7 40.04 (3) (am) 1. Beginning on January 1, 2000, there shall be maintained  
8 within the ~~fixed~~ core retirement investment trust a market recognition account. The  
9 department shall establish and administer the market recognition account as  
10 recommended by the actuary or actuarial firm retained under s. 40.03 (1) (d) and as  
11 approved by the board.

12 **SECTION 22.** 40.04 (3) (am) 2. of the statutes is amended to read:

13 40.04 (3) (am) 2. Annually, the total market value investment return earned  
14 by the ~~fixed~~ core retirement investment trust during the year shall be credited to the  
15 market recognition account.

16 **SECTION 23.** 40.04 (3) (am) 3. (intro.) of the statutes is amended to read:

17 40.04 (3) (am) 3. (intro.) Annually, on December 31, the sum of all of the  
18 following shall be distributed from the market recognition account to each  
19 participating account in the ~~fixed~~ core retirement investment trust in the same ratio  
20 as each account's average daily balance bears to the total average daily balance of  
21 all participating accounts in the trust:

22 **SECTION 24.** 40.04 (3) (am) 3. a. of the statutes is amended to read:

23 40.04 (3) (am) 3. a. The expected amount of investment return in the ~~fixed~~ core  
24 retirement investment trust during the year based on the assumed rate.

25 **SECTION 25.** 40.04 (3) (am) 3. b. of the statutes is amended to read:

1           40.04 (3) (am) 3. b. An amount equal to ~~20%~~ 20 percent of the difference  
2       between the total market value investment return earned by the fixed core  
3       retirement investment trust and the expected amount of investment return of the  
4       fixed core retirement investment trust during the year ending on December 31 based  
5       on the assumed rate.

6           **SECTION 26.** 40.04 (3) (am) 3. c. of the statutes is amended to read:

7           40.04 (3) (am) 3. c. An amount equal to ~~20%~~ 20 percent of the sum of the  
8       differences between the total market value investment return earned by the fixed  
9       core retirement investment trust and the expected amount of investment return of  
10      the fixed core retirement investment trust at the end of the 4 preceding years. For  
11      the purpose of making this calculation, the amount in the market recognition  
12      account at the end of each year that occurs before the year 2000 shall be assumed to  
13      be zero.

14          **SECTION 27.** 40.04 (3) (b) of the statutes is amended to read:

15          40.04 (3) (b) The assets of the fixed core retirement investment trust shall be  
16      commingled and the assets of the variable retirement investment trust shall be  
17      commingled. No particular contributing benefit plan shall have any right in any  
18      specific item of cash, investment, or other property in either trust other than an  
19      undivided interest in the whole as provided in this paragraph. The department of  
20      administration shall maintain any records as may be required to account for each  
21      contributing account's share in the corresponding trust except that the employee  
22      accumulation reserve, the employer accumulation reserve and the annuity reserve  
23      shall be treated as a single account, except as provided in sub. (7).

24          **SECTION 28.** 40.04 (3) (d) of the statutes is amended to read:

1           40.04 (3) (d) Notwithstanding par. (a), assets of the ~~fixed~~ core retirement  
2 investment trust which are authorized to be invested in common or preferred stock  
3 may, if authorized by rule, be invested as a part of the variable retirement investment  
4 trust with that portion of the annual distributions of net gains or losses to the ~~fixed~~  
5 core retirement investment trust from the variable retirement investment trust  
6 being credited to the market recognition account.

7           **SECTION 29.** 40.04 (4) (a) 2. of the statutes is amended to read:

8           40.04 (4) (a) 2. Credited as of each December 31 with interest on the prior year's  
9 closing balance at the effective rate on all employee required contribution  
10 accumulations in the variable annuity division, on all employee required  
11 contributions in the ~~fixed~~ core annuity division on December 31, 1984, on all  
12 employee required contributions in the ~~fixed~~ core annuity division of participants  
13 who are not participating employees after December 31, 1984, and on all employee  
14 and employer additional contribution accumulations and with interest on the prior  
15 year's closing balance at the assumed benefit rate on all employee required  
16 contribution accumulations in the ~~fixed~~ core annuity division for participants who  
17 are participating employees after December 31, 1984, but who terminated covered  
18 employment before December 30, 1999.

19           **SECTION 30.** 40.04 (4) (a) 2g. of the statutes is amended to read:

20           40.04 (4) (a) 2g. Credited as of each December 31, with interest on the prior  
21 year's closing balance at the effective rate on all employee required contribution  
22 accumulations in the ~~fixed~~ core annuity division for participants who are  
23 participating employees on or after December 30, 1999.

24           **SECTION 31.** 40.04 (4) (a) 2m. of the statutes is amended to read:

1           40.04 (4) (a) 2m. Debited, if a participant terminates covered employment on  
2           or after January 1, 1990, but before December 30, 1999, and applies for a benefit  
3           under s. 40.25 (2), with an amount equal to the amount by which the ~~fixed~~ core  
4           annuity division interest credited on or after January 1, 1990, but before December  
5           30, 1999, to employee required contributions, exceeds the interest crediting at an  
6           annual rate of ~~3%~~ 3 percent on each prior year's closing balance.

7           **SECTION 32.** 40.04 (5) (b) of the statutes is amended to read:

8           40.04 (5) (b) Credited, as of each December 31, all ~~fixed~~ core annuity division  
9           interest not credited to other accounts and reserves under this section.

10          **SECTION 33.** 40.04 (7) (intro.) of the statutes is amended to read:

11          40.04 (7) (intro.) The reserves established under subs. (4), (5), and (6) shall be  
12          divided both individually and for the purposes of sub. (3) between a ~~fixed~~ core  
13          annuity division and a variable annuity division. All required and additional  
14          contributions shall be credited to the ~~fixed~~ core annuity division except:

15          **SECTION 34.** 40.04 (7) (a) (intro.) of the statutes is amended to read:

16          40.04 (7) (a) (intro.) As otherwise elected by a participant prior to April 30,  
17          1980, or on or after January 1, 2001. Any participant who was a participant prior  
18          to April 30, 1980, and whose accounts on January 1, 1982, include credits segregated  
19          for a variable annuity shall have his or her required and additional contributions  
20          made on or after January 1, 1982, credited to the variable annuity division in a  
21          manner consistent with the participant's election prior to April 30, 1980, unless prior  
22          to January 1, 1982, the participant terminated such election under s. 40.85, 1979  
23          stats. Any participant who elects or has elected to have any of his or her credits  
24          segregated for a variable annuity on or after January 1, 2001, shall have ~~50%~~ 50  
25          percent of his or her required and additional contributions made on or after the date

1 of election credited to the variable annuity division. The department shall by rule  
2 provide that any participant who elects or has elected variable participation prior to  
3 April 30, 1980, or on or after January 1, 2001, may elect to cancel that variable  
4 participation as to future contributions. The department's rules shall permit a  
5 participant who elects or has elected to cancel variable participation as to future  
6 contributions, or an annuitant, to elect to transfer previous variable contribution  
7 accumulations to the ~~fixed~~ core annuity division. A transfer of variable contribution  
8 accumulations under this paragraph shall result in the participant receiving the  
9 accrued gain or loss from the participant's variable participation. A participant may  
10 specify that election to cancel participation in the variable annuity division is  
11 conditional. If the participant so specifies the election is effective on the first date  
12 on which it may take effect on which the participant:

13 **SECTION 35.** 40.04 (7) (a) 2. of the statutes is amended to read:

14 40.04 (7) (a) 2. Is not an annuitant and the accumulated amount which is to  
15 be transferred to the ~~fixed~~ core annuity division is equal to or greater than the  
16 amount which would have accumulated if the segregated contributions had been  
17 originally credited to the ~~fixed~~ core annuity division.

18 **SECTION 36.** 40.05 (1) (a) 6. of the statutes is amended to read:

19 40.05 (1) (a) 6. Under the rules promulgated under s. 40.03 (2) (r), additional  
20 contributions, other than the first \$5,000 of contributions, or a beneficiary's prorated  
21 share thereof, that are attributable to a death benefit paid under s. 40.73, may be  
22 made to the ~~fixed~~ core annuity division by any participant by rollover contribution  
23 of a payment or distribution from a pension or annuity qualified under section 401  
24 of the ~~internal revenue code~~ Internal Revenue Code, subject to any limitations  
25 imposed on contributions by the ~~internal revenue code~~ Internal Revenue Code,

1 applicable regulations adopted under the ~~internal revenue code~~ Internal Revenue  
2 Code, and rules of the department.

3 **SECTION 37.** 40.05 (2) (g) 2. of the statutes is amended to read:

4 40.05 (2) (g) 2. Under the rules promulgated under s. 40.03 (2) (r), a participant  
5 may, as a payout option for the deferred compensation plan established under subch.  
6 VII, elect to have the entire balance in the participant's account under subch. VII  
7 treated as an additional contribution to the ~~fixed core~~ annuity division, subject to any  
8 limitations imposed on contributions by the ~~internal revenue code~~ Internal Revenue  
9 Code, applicable regulations adopted under the ~~internal revenue code~~ Internal  
10 Revenue Code, and rules of the department. Additional contributions under this  
11 subdivision shall be available for all benefit purposes and shall be administered and  
12 invested on the same basis as employee additional contributions, except that ss.  
13 40.24 (1) (f) and 40.25 (4) do not apply to additional contributions under this  
14 subdivision and s. 40.26 does not apply to an annuity received from additional  
15 contributions under this subdivision.

16 **SECTION 38.** 40.06 (5) of the statutes is amended to read:

17 40.06 (5) Whenever it is determined that contributions and premiums were not  
18 paid in the year when due, the amount to be paid shall be determined at the employee  
19 and employer contribution or premium rates in effect when the payment should have  
20 been made and increased by interest at the effective rate which would have been  
21 credited if the amount had been paid and deposited in the accumulation reserves of  
22 the ~~fixed core~~ annuity division under s. 40.04 (4) and (5) at the time the contributions  
23 or premiums were due. The employer shall collect from the employee the amount  
24 which the employee would have paid if the amounts had been paid when due, plus  
25 the corresponding interest, and shall transmit the amount collected to the



1 department together with the balance of the amount to be paid, or the employer may  
2 elect to pay part or all of the employee amounts.

3 **SECTION 39.** 40.08 (4) of the statutes is amended to read:

4 40.08 (4) RETENTION OF PAYMENTS. Unless voluntarily repaid and except as  
5 limited by sub. (10), the department may retain out of any annuity or benefit an  
6 amount as the department in its discretion may determine, for the purpose of  
7 reimbursing the appropriate benefit plan accounts for a balance due under s. 40.25  
8 (5) or for any money paid, plus interest at the effective rate of the fixed core annuity  
9 division, to any person or estate, through misrepresentation, fraud, or error. Upon  
10 the request of the department any employer shall withhold from any sum payable  
11 by the employer to any person or estate and remit to the department any amount,  
12 plus interest at the effective rate of the fixed core annuity division, which the  
13 department paid to the person or estate through misrepresentation, fraud, or error.  
14 Any amount, plus interest at the effective rate, not recovered by the department from  
15 the employer may be procured by the department by action brought against the  
16 person or estate.

17 **SECTION 40.** 40.23 (2m) (c) of the statutes is amended to read:

18 40.23 (2m) (c) The annuity which can be provided from a sum equal to 200%  
19 200 percent of the excess accruing after June 30, 1966, for teacher participants, or  
20 December 31, 1965, for all other participants, of the participant's required  
21 contribution accumulation reserved for a variable annuity over the amount to which  
22 the contributions would have accumulated at the fixed core annuity division effective  
23 rate if not so reserved. If the participant's required contribution accumulation  
24 reserved for a variable annuity is less than the amount to which the contributions  
25 would have accumulated at the fixed core annuity division effective rate if not

reserved, the annuity shall be reduced by the amount which could be provided by a sum equal to ~~200%~~ 200 percent of the deficiency.

**SECTION 41.** 40.27 (2) (intro.) of the statutes is amended to read:

**40.27 (2) ~~FIXED~~ CORE ANNUITY RESERVE SURPLUS DISTRIBUTIONS.** (intro.)  
Surpluses in the ~~fixed~~ core annuity reserve established under s. 40.04 (6) and (7) shall be distributed by the board if the distribution will result in at least a 0.5 percent increase in the amount of annuities in force, except as otherwise provided by the department by rule, on recommendation of the actuary, as follows:

**SECTION 42.** 40.27 (2) (a) of the statutes is amended to read:

**40.27 (2) (a)** The distributions shall be expressed as percentage increases in the amount of the monthly annuity in force, including prior distributions of surpluses but not including any amount paid from funds other than the ~~fixed~~ core annuity reserve fund, preceding the effective date of the distribution. For purposes of this subsection, annuities in force include any disability annuity suspended because the earnings limitation had been exceeded by that annuitant in that year.

**SECTION 43.** 40.27 (2) (b) of the statutes is amended to read:

**40.27 (2) (b)** Prorated percentages based on the annuity effective date may be applied to annuities with effective dates during the calendar year preceding the effective date of the distribution, as provided by rule, but no other distinction may be made among the various types of annuities payable from the ~~fixed~~ core annuity reserve.

**SECTION 44.** 40.27 (2) (c) of the statutes is amended to read:

**40.27 (2) (c)** The distributions shall not be offset against any other benefit being received but shall be paid in full, nor shall any other benefit being received be reduced by the distributions. The annuity reserve surplus distributions authorized

1 under this subsection may be revoked by the board in part or in total as to future  
2 payments upon recommendation of the actuary if a deficit occurs in the ~~fixed~~ core  
3 annuity reserves and such deficit would result in a 0.5 percent or greater decrease  
4 in the amount of annuities in force, except as otherwise provided by the department  
5 by rule.

6 **SECTION 45.** 40.28 (1) (intro.) of the statutes is amended to read:

7 40.28 (1) (intro.) Any annuity provided to a participant whose accounts include  
8 credits segregated for a variable annuity shall consist of a ~~fixed~~ core annuity and a  
9 variable annuity.

10 **SECTION 46.** 40.28 (1) (b) of the statutes is amended to read:

11 40.28 (1) (b) The initial amount of the ~~fixed~~ core annuity shall be the excess of  
12 the total annuity payable, as determined under s. 40.23, over the amount of the  
13 variable annuity.

14 (END)

6-7

✓ 1.

as affected by 2005 Wisconsin Act 25, ↑

Section #. 25.18 (2) (e) of the statutes is amended to read:

25.18 (2) (e) 1. Contract with and delegate to investment advisers the management and control over assets from any fund or trust delivered to such investment advisers for investment in real estate, mortgages, equities, and debt and pay such advisers fees from the current income of the fund or trust being invested. Subject to subd. 2., no more than 20 percent of the total assets of the ~~fixed~~ <sup>core</sup> retirement investment trust or 20 percent of the total assets of the variable retirement investment trust may be delivered to investment advisers to manage in accounts in which the board directly holds title to all securities purchased for the accounts. The board shall set performance standards for such investment advisers, monitor such investments to determine if performance standards are being met and if an investment adviser does not consistently meet the performance standards then terminate the contract with such investment adviser.

2. For the purpose of calculating the 20 percent limit under subd. 1., the board shall not include any appreciation on assets delivered to the investment advisers. The board shall also not include for this purpose shares or participation in mutual funds, index funds, commingled funds, partnership funds, or other similar collective investment instruments in which the board does not hold title to the underlying investments purchased by the manager of the fund or the collective investment instrument.

History: 1975 c. 39; 1983 a. 27, 192; 1985 a. 29; 1987 a. 27, 399; 1989 a. 119, 338, 366; 1991 a. 39; 1993 a. 112; 1995 a. 274; 1999 a. 11, 83; 2001 a. 16, 104; 2003 a. 299; 2005 a. 25.

X 7-16

Section #. 40.02 (58) of the statutes is amended to read:

40.02 (58) "Variable annuity" means any annuity provided by the accumulations in the variable annuity division established under s. 40.04 (7) providing for the dollar amount of benefits or other contractual payments or values to vary so as to reflect differences which may arise between the total value of the annuity reserve for variable annuities and the reserve that would be required if the annuities were ~~fixed~~ <sup>core</sup> annuities.

History: 1981 c. 96, 187, 250, 274, 386; 1983 a. 9, 27; 1983 a. 81 s. 11; 1983 a. 83 s. 20; 1983 a. 106, 140; 1983 a. 141 ss. 1 to 3, 20; 1983 a. 191 ss. 1, 6; 1983 a. 192 s. 304; 1983 a. 255 s. 6; 1983 a. 275, 290, 368; 1983 a. 435 s. 7; 1985 a. 29, 225; 1985 a. 332 ss. 52, 251 (1); 1987 a. 27, 62, 83, 107, 309, 340, 356, 363, 372, 399; 1987 a. 403 ss. 43 to 45, 256; 1989 a. 13, 14, 31; 1989 a. 56 s. 259; 1989 a. 166, 182, 189, 218, 230, 240, 323, 327, 336, 355, 357, 359; 1991 a. 32, 39, 113, 152, 229, 269, 315; 1993 a. 16, 263, 383, 490, 491; 1995 a. 27, ss. 1946 to 1953, 9130 (4); 1995 a. 81, 88, 89, 216, 240, 302, 381, 417; 1997 a. 3, 27, 39, 69, 110, 162, 237, 238; 1999 a. 9, 11, 42, 63, 65, 83; 2001 a. 16, 38, 103, 104, 109; 2003 a. 33.



State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-0874/P2

RAC:lmkpg

SPS RMR

~~PRELIMINARY DRAFT NOT READY FOR INTRODUCTION~~

2005 Bill "T"

~~PLEASE prepare as follows  
(no additional law  
revisions  
notes)~~

ReCom

✓+

1 AN ACT *to renumber and amend* 25.17 (1) (fm) and 40.02 (34); and *to amend*  
2 25.14 (1) (a) 2., 25.17 (3) (a), 25.17 (3) (bh), 25.17 (4), 25.17 (6), 25.17 (14) (intro.),  
3 25.17 (14) (g), 25.17 (15), 25.18 (1) (o), 25.18 (2) (e) 1., 25.187 (2) (c) 3. a., 40.02  
4 (7), 40.02 (23) (a), 40.02 (23) (b), 40.02 (58), 40.03 (1) (h), 40.03 (1) (n), 40.04 (3)  
5 (intro.), 40.04 (3) (ab), 40.04 (3) (am) 1., 40.04 (3) (am) 2., 40.04 (3) (am) 3.  
6 (intro.), 40.04 (3) (am) 3. a., 40.04 (3) (am) 3. b., 40.04 (3) (am) 3. c., 40.04 (3) (b),  
7 40.04 (3) (d), 40.04 (4) (a) 2., 40.04 (4) (a) 2g., 40.04 (4) (a) 2m., 40.04 (5) (b), 40.04  
8 (7) (intro.), 40.04 (7) (a) (intro.), 40.04 (7) (a) 2., 40.05 (1) (a) 6., 40.05 (2) (g) 2.,  
9 40.06 (5), 40.08 (4), 40.23 (2m) (c), 40.27 (2) (intro.), 40.27 (2) (a), 40.27 (2) (b),  
10 40.27 (2) (c), 40.28 (1) (intro.) and 40.28 (1) (b) of the statutes; **relating to:**  
11 changing the name of the fixed retirement investment trust to the core

1 retirement investment trust (suggested as remedial legislation by the  
2 Department of Employee Trust Funds).

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***Analysis by the Legislative Reference Bureau***

This bill changes the name of the fixed retirement investment trust to the core retirement investment trust.

For further information, see the NOTES provided by the Law Revision Committee of the Joint Legislative Council in the bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

LAW REVISION COMMITTEE PREFATORY NOTE: This bill is a remedial legislation proposal, requested by the Department of Employee Trust Funds and introduced by the Law Revision Committee under s. 13.83 (1) (c) 4., stats. After careful consideration of the various provisions of the bill, the Law Revision Committee has determined that this bill makes minor substantive changes in the statutes, and that these changes are desirable as a matter of public policy.

3 SECTION 1. 25.14 (1) (a) 2. of the statutes is amended to read:

4 25.14 (1) (a) 2. The fixed core retirement investment trust.

5 SECTION 2. 25.17 (1) (fm) of the statutes is renumbered 25.17 (1) (br) and  
6 amended to read:

7 25.17 (1) (br) Fixed core retirement investment trust (s. 40.04 (3));

8 SECTION 3. 25.17 (3) (a) of the statutes is amended to read:

9 25.17 (3) (a) Invest the fixed core retirement investment trust, state life fund,  
10 veterans trust fund, and injured patients and families compensation fund in loans,  
11 securities, and any other investments authorized by s. 620.22, and in bonds or other  
12 evidences of indebtedness or preferred stock of companies engaged in the finance  
13 business whether as direct lenders or as holding companies owning subsidiaries  
14 engaged in the finance business. Investments permitted by sub. (4) are permitted  
15 investments under this subsection.

16 SECTION 4. 25.17 (3) (bh) of the statutes is amended to read:

1           25.17 (3) (bh) Invest the ~~fixed~~ core retirement investment trust and state life  
2 fund in loans secured by mortgages upon unencumbered and improved real property  
3 in the United States or Canada when such real estate is leased to a corporation or  
4 limited liability company incorporated, organized, or existing under the laws of the  
5 United States or any state, district or territory thereof, or Canada or any province  
6 thereof, whose income available for fixed charges for the period of 5 fiscal years next  
7 preceding the date of the investment has averaged not less than 1.5 times its average  
8 annual fixed charges applicable to such period, if there is pledged and assigned,  
9 either absolutely or conditionally, as additional security for the loan either the lease  
10 or sufficient of the rentals payable thereunder to repay the principal and interest of  
11 the loan within the unexpired term of the lease. Real property and leasehold estates  
12 are not encumbered within the meaning of this section by reason of the existence of  
13 unpaid assessments and taxes not delinquent, mineral, oil or timber rights,  
14 easements or rights-of-way for public highways, private roads, railroads, telegraph,  
15 telephone, electric light and power lines, drains, sewers or other similar easements  
16 or rights-of-way, liens for service and maintenance of water rights when not  
17 delinquent, party wall agreements, building restrictions, or other restrictive  
18 covenants or conditions, with or without a reversionary clause, or leases under which  
19 rents or profits are reserved to the owner. The foregoing limitations and restrictions  
20 shall not apply to real estate loans which are insured under the national housing act  
21 by the federal housing administration or to real estate loans made under ch. 219, or  
22 insured under policies of insurance issued by responsible mortgage insurance  
23 companies.

24           SECTION 5. 25.17 (4) of the statutes is amended to read:



1           25.17 (4) Invest the funds of the ~~fixed~~ core retirement investment trust in  
2       loans, securities, or investments in addition to those permitted by any other statute  
3       including investments in corporations or limited liability companies which are in the  
4       venture capital stage. The aggregate of the loans, securities, and investments made  
5       under this subsection shall not exceed ~~15%~~ 15 percent of the admitted assets of that  
6       trust. Investments in corporations or limited liability companies which are in the  
7       venture capital stage shall not exceed ~~2%~~ 2 percent of the admitted assets of that  
8       trust.

9           **SECTION 6.** 25.17 (6) of the statutes is amended to read:

10          25.17 (6) Notwithstanding any other statute, transfers from the variable  
11       retirement investment trust to the ~~fixed~~ core retirement investment trust under s.  
12       40.04 (7) may be made in cash or securities or both as determined by the board. The  
13       board shall determine market values for securities in the variable retirement  
14       investment trust as of the close of business on the last working day preceding a  
15       transfer. If securities are transferred, to the extent determined feasible by the board,  
16       a proportionate amount of all securities in even hundreds of shares of stock or even  
17       thousands of par value of bonds in the variable retirement investment trust shall be  
18       transferred. The board may hold or sell the transferred securities as it determines  
19       appropriate considering market and economic conditions. Any limitation on the  
20       percentage of assets in common stocks or in the stock of one company does not apply  
21       to the transferred securities, except the board shall, at such time as it determines  
22       that market, economic and other conditions are appropriate to the sale of the  
23       securities, sell sufficient transferred securities so as to comply with percentage of  
24       asset limitations.

25          **SECTION 7.** 25.17 (14) (intro.) of the statutes is amended to read:

1        25.17 (14) (intro.) As of December 31 of each year, make and file with the  
2        department of employee trust funds a report of the value of the assets of the ~~fixed~~ core  
3        retirement investment trust and of the variable retirement investment trust,  
4        determined as of that date at market value for the variable retirement investment  
5        trust and on the following basis for the ~~fixed~~ core retirement investment trust:

6        **SECTION 8.** 25.17 (14) (g) of the statutes is amended to read:

7        25.17 (14) (g) With respect to all securities under pars. (a) to (e), the amount  
8        of any income or any adjustment in income shall be transferred to the current income  
9        account of the ~~fixed~~ core retirement investment trust under s. 40.04 (3).

10       **SECTION 9.** 25.17 (15) of the statutes is amended to read:

11       25.17 (15) For purposes of the power and authority of the board to make  
12       investments, the “admitted assets” of the ~~fixed~~ core retirement investment trust or  
13       the variable retirement investment trust shall be the total valuation of the assets of  
14       such trust as set forth in the last report made under sub. (14).

15       **SECTION 10.** 25.18 (1) (o) of the statutes is amended to read:

16       25.18 (1) (o) Invest any of the assets of the permanent endowment fund in any  
17       investment that is an authorized investment for assets in the ~~fixed~~ core retirement  
18       investment trust under s. 25.17 (4) or assets in the variable retirement investment  
19       trust under s. 25.17 (5).

20       **SECTION 11.** 25.18 (2) (e) 1. of the statutes, as affected by 2005 Wisconsin Act  
21       25, is amended to read:

22       25.18 (2) (e) 1. Contract with and delegate to investment advisers the  
23       management and control over assets from any fund or trust delivered to such  
24       investment advisers for investment in real estate, mortgages, equities, and debt and  
25       pay such advisers fees from the current income of the fund or trust being invested.

1 Subject to subd. 2., no more than 20 percent of the total assets of the fixed core  
2 retirement investment trust or 20 percent of the total assets of the variable  
3 retirement investment trust may be delivered to investment advisers to manage in  
4 accounts in which the board directly holds title to all securities purchased for the  
5 accounts. The board shall set performance standards for such investment advisers,  
6 monitor such investments to determine if performance standards are being met and  
7 if an investment adviser does not consistently meet the performance standards then  
8 terminate the contract with such investment adviser.

9 **SECTION 12.** 25.187 (2) (c) 3. a. of the statutes is amended to read:

10 25.187 (2) (c) 3. a. Determine the total market value of the assets of the funds  
11 according to the methodology used to determine the market value of the fixed core  
12 retirement investment trust under s. 25.17 (14).

13 **SECTION 13.** 40.02 (7) of the statutes is amended to read:

14 40.02 (7) "Assumed rate" means the probable average effective rate expected  
15 to be earned for the fixed core annuity division on a long-term basis. The assumed  
16 rate shall be a rate of ~~8%~~ 8 percent and the actuarial assumption for  
17 across-the-board salary increases for the purpose of valuing the liabilities of the  
18 Wisconsin retirement system Retirement System shall be ~~3.4%~~ 3.4 percent less than  
19 the assumed rate unless due to changed economic circumstances the actuary  
20 recommends and the board approves a different rate. The assumed rate for a  
21 calendar year shall be used for all calculations of required contributions and reserves  
22 for participants, except as provided in s. 40.04 (4) (a) 2., 2g., and 2m., and the amount  
23 of any lump sum benefit paid instead of an annuity, except it shall not be used for any  
24 purpose for which the assumed benefit rate is to be used under sub. (6).

25 **SECTION 14.** 40.02 (23) (a) of the statutes is amended to read:

1           40.02 (23) (a) For the ~~fixed~~ core annuity division, the rate, disregarding  
2           fractions of less than one-tenth of one percent, determined by dividing the remaining  
3           ~~fixed~~ core annuity division investment earnings for the calendar year or part of the  
4           calendar year, after making provision for any necessary reserves and after deducting  
5           prorated interest and the administrative costs of the ~~fixed~~ core annuity division for  
6           the year, by the ~~fixed~~ core annuity division balance at the beginning of the calendar  
7           year as adjusted for benefit payments and refunds paid during the year excluding  
8           prorated interest.

9           **SECTION 15.** 40.02 (23) (b) of the statutes is amended to read:

10           40.02 (23) (b) For the variable annuity division, the rate, disregarding fractions  
11           less than one percent, which will distribute the net gain or loss of the variable  
12           annuity division to the respective variable annuity balances and reserves using the  
13           same procedure as provided in par. (a) for the ~~fixed~~ core annuity division.

14           **SECTION 16.** 40.02 (34) of the statutes is renumbered 40.02 (12r) and amended  
15           to read:

16           40.02 (12r) “~~Fixed~~ Core annuity” means any annuity other than a variable  
17           annuity.

18           **SECTION 17.** 40.02 (58) of the statutes is amended to read:

19           40.02 (58) “Variable annuity” means any annuity provided by the  
20           accumulations in the variable annuity division established under s. 40.04 (7)  
21           providing for the dollar amount of benefits or other contractual payments or values  
22           to vary so as to reflect differences which may arise between the total value of the  
23           annuity reserve for variable annuities and the reserve that would be required if the  
24           annuities were ~~fixed~~ core annuities.

25           **SECTION 18.** 40.03 (1) (h) of the statutes is amended to read:

1        40.03 (1) (h) May accept any gift, grant, or bequest of any money or property  
2        of any kind, for the purposes designated by the grantor if the purpose is specified as  
3        providing cash benefits to some or all of the participants, insured employees, or  
4        annuitants of this fund or for reducing employer or employee costs; or, if no purposes  
5        are designated, then for the purpose of distribution to the several accounts and  
6        reserves of the Wisconsin ~~retirement system~~ Retirement System at the end of the  
7        year as if the money or property were investment earnings of the ~~fixed~~ core annuity  
8        division.

9        **SECTION 19.** 40.03 (1) (n) of the statutes is amended to read:

10       40.03 (1) (n) May allow any separate retirement system for employees of one  
11       or more employers to deliver or send funds representing assets of that system to the  
12       department. If the department accepts delivery or transmission, the department  
13       shall purchase shares of the ~~fixed~~ core retirement investment trust or variable  
14       retirement investment trust or both with those funds, subject to rules under sub. (2)  
15       (q). Each retirement system shall pay as provided in s. 40.04 (2) for the costs of  
16       investing and administering any of its funds sent or delivered to the department.

17       **SECTION 20.** 40.04 (3) (intro.) of the statutes is amended to read:

18       40.04 (3) (intro.) A ~~fixed~~ core retirement investment trust and a variable  
19       retirement investment trust shall be maintained within the fund under the  
20       jurisdiction and management of the investment board for the purpose of managing  
21       the investments of the retirement reserve accounts and of any other accounts of the  
22       fund as determined by the board, including the accounts of separate retirement  
23       systems. Within the ~~fixed~~ core retirement investment trust there shall be  
24       maintained a transaction amortization account and a market recognition account,  
25       and any other accounts as are established by the board or the investment board. A

1 current income account shall be maintained in the variable retirement investment  
2 trust. All costs of owning, operating, protecting, and acquiring property in which  
3 either trust has an interest shall be charged to the current income or market  
4 recognition account of the trust having the interest in the property.

5 **SECTION 21.** 40.04 (3) (ab) of the statutes is amended to read:

6 40.04 (3) (ab) Beginning on December 31, 2000, the balance of the transaction  
7 amortization account shall be determined and ~~20%~~ 20 percent of the balance  
8 established on December 31, 2000, shall be distributed annually on December 31 to  
9 each participating account in the same ratio as each account's average daily balance  
10 within the ~~fixed~~ core retirement investment trust bears to the total average daily  
11 balance of all participating accounts in the trust until the balance of the transaction  
12 amortization account is entirely distributed. Notwithstanding sub. (3) (intro.), after  
13 the entire balance of the transaction amortization account has been distributed, the  
14 department shall close the account.

15 **SECTION 22.** 40.04 (3) (am) 1. of the statutes is amended to read:

16 40.04 (3) (am) 1. Beginning on January 1, 2000, there shall be maintained  
17 within the ~~fixed~~ core retirement investment trust a market recognition account. The  
18 department shall establish and administer the market recognition account as  
19 recommended by the actuary or actuarial firm retained under s. 40.03 (1) (d) and as  
20 approved by the board.

21 **SECTION 23.** 40.04 (3) (am) 2. of the statutes is amended to read:

22 40.04 (3) (am) 2. Annually, the total market value investment return earned  
23 by the ~~fixed~~ core retirement investment trust during the year shall be credited to the  
24 market recognition account.

25 **SECTION 24.** 40.04 (3) (am) 3. (intro.) of the statutes is amended to read:

1           40.04 (3) (am) 3. (intro.) Annually, on December 31, the sum of all of the  
2 following shall be distributed from the market recognition account to each  
3 participating account in the fixed core retirement investment trust in the same ratio  
4 as each account's average daily balance bears to the total average daily balance of  
5 all participating accounts in the trust:

6           **SECTION 25.** 40.04 (3) (am) 3. a. of the statutes is amended to read:

7           40.04 (3) (am) 3. a. The expected amount of investment return in the fixed core  
8 retirement investment trust during the year based on the assumed rate.

9           **SECTION 26.** 40.04 (3) (am) 3. b. of the statutes is amended to read:

10          40.04 (3) (am) 3. b. An amount equal to ~~20%~~ 20 percent of the difference  
11 between the total market value investment return earned by the fixed core  
12 retirement investment trust and the expected amount of investment return of the  
13 fixed core retirement investment trust during the year ending on December 31 based  
14 on the assumed rate.

15          **SECTION 27.** 40.04 (3) (am) 3. c. of the statutes is amended to read:

16          40.04 (3) (am) 3. c. An amount equal to ~~20%~~ 20 percent of the sum of the  
17 differences between the total market value investment return earned by the fixed  
18 core retirement investment trust and the expected amount of investment return of  
19 the fixed core retirement investment trust at the end of the 4 preceding years. For  
20 the purpose of making this calculation, the amount in the market recognition  
21 account at the end of each year that occurs before the year 2000 shall be assumed to  
22 be zero.

23          **SECTION 28.** 40.04 (3) (b) of the statutes is amended to read:

24          40.04 (3) (b) The assets of the fixed core retirement investment trust shall be  
25 commingled and the assets of the variable retirement investment trust shall be

1 commingled. No particular contributing benefit plan shall have any right in any  
2 specific item of cash, investment, or other property in either trust other than an  
3 undivided interest in the whole as provided in this paragraph. The department of  
4 administration shall maintain any records as may be required to account for each  
5 contributing account's share in the corresponding trust except that the employee  
6 accumulation reserve, the employer accumulation reserve and the annuity reserve  
7 shall be treated as a single account, except as provided in sub. (7).

8 **SECTION 29.** 40.04 (3) (d) of the statutes is amended to read:

9 40.04 (3) (d) Notwithstanding par. (a), assets of the ~~fixed~~ core retirement  
10 investment trust which are authorized to be invested in common or preferred stock  
11 may, if authorized by rule, be invested as a part of the variable retirement investment  
12 trust with that portion of the annual distributions of net gains or losses to the ~~fixed~~  
13 core retirement investment trust from the variable retirement investment trust  
14 being credited to the market recognition account.

15 **SECTION 30.** 40.04 (4) (a) 2. of the statutes is amended to read:

16 40.04 (4) (a) 2. Credited as of each December 31 with interest on the prior year's  
17 closing balance at the effective rate on all employee required contribution  
18 accumulations in the variable annuity division, on all employee required  
19 contributions in the ~~fixed~~ core annuity division on December 31, 1984, on all  
20 employee required contributions in the ~~fixed~~ core annuity division of participants  
21 who are not participating employees after December 31, 1984, and on all employee  
22 and employer additional contribution accumulations and with interest on the prior  
23 year's closing balance at the assumed benefit rate on all employee required  
24 contribution accumulations in the ~~fixed~~ core annuity division for participants who



1 are participating employees after December 31, 1984, but who terminated covered  
2 employment before December 30, 1999.

3 **SECTION 31.** 40.04 (4) (a) 2g. of the statutes is amended to read:

4 40.04 (4) (a) 2g. Credited as of each December 31, with interest on the prior  
5 year's closing balance at the effective rate on all employee required contribution  
6 accumulations in the fixed core annuity division for participants who are  
7 participating employees on or after December 30, 1999.

8 **SECTION 32.** 40.04 (4) (a) 2m. of the statutes is amended to read:

9 40.04 (4) (a) 2m. Debited, if a participant terminates covered employment on  
10 or after January 1, 1990, but before December 30, 1999, and applies for a benefit  
11 under s. 40.25 (2), with an amount equal to the amount by which the fixed core  
12 annuity division interest credited on or after January 1, 1990, but before December  
13 30, 1999, to employee required contributions, exceeds the interest crediting at an  
14 annual rate of ~~3%~~ 3 percent on each prior year's closing balance.

15 **SECTION 33.** 40.04 (5) (b) of the statutes is amended to read:

16 40.04 (5) (b) Credited, as of each December 31, all fixed core annuity division  
17 interest not credited to other accounts and reserves under this section.

18 **SECTION 34.** 40.04 (7) (intro.) of the statutes is amended to read:

19 40.04 (7) (intro.) The reserves established under subs. (4), (5), and (6) shall be  
20 divided both individually and for the purposes of sub. (3) between a fixed core  
21 annuity division and a variable annuity division. All required and additional  
22 contributions shall be credited to the fixed core annuity division except:

23 **SECTION 35.** 40.04 (7) (a) (intro.) of the statutes is amended to read:

24 40.04 (7) (a) (intro.) As otherwise elected by a participant prior to April 30,  
25 1980, or on or after January 1, 2001. Any participant who was a participant prior

1 to April 30, 1980, and whose accounts on January 1, 1982, include credits segregated  
2 for a variable annuity shall have his or her required and additional contributions  
3 made on or after January 1, 1982, credited to the variable annuity division in a  
4 manner consistent with the participant's election prior to April 30, 1980, unless prior  
5 to January 1, 1982, the participant terminated such election under s. 40.85, 1979  
6 stats. Any participant who elects or has elected to have any of his or her credits  
7 segregated for a variable annuity on or after January 1, 2001, shall have ~~50%~~ 50  
8 percent of his or her required and additional contributions made on or after the date  
9 of election credited to the variable annuity division. The department shall by rule  
10 provide that any participant who elects or has elected variable participation prior to  
11 April 30, 1980, or on or after January 1, 2001, may elect to cancel that variable  
12 participation as to future contributions. The department's rules shall permit a  
13 participant who elects or has elected to cancel variable participation as to future  
14 contributions, or an annuitant, to elect to transfer previous variable contribution  
15 accumulations to the ~~fixed~~ core annuity division. A transfer of variable contribution  
16 accumulations under this paragraph shall result in the participant receiving the  
17 accrued gain or loss from the participant's variable participation. A participant may  
18 specify that election to cancel participation in the variable annuity division is  
19 conditional. If the participant so specifies the election is effective on the first date  
20 on which it may take effect on which the participant:

21 **SECTION 36.** 40.04 (7) (a) 2. of the statutes is amended to read:

22 40.04 (7) (a) 2. Is not an annuitant and the accumulated amount which is to  
23 be transferred to the ~~fixed~~ core annuity division is equal to or greater than the  
24 amount which would have accumulated if the segregated contributions had been  
25 originally credited to the ~~fixed~~ core annuity division.

1           **SECTION 37.** 40.05 (1) (a) 6. of the statutes is amended to read:

2           40.05 (1) (a) 6. Under the rules promulgated under s. 40.03 (2) (r), additional  
3           contributions, other than the first \$5,000 of contributions, or a beneficiary's prorated  
4           share thereof, that are attributable to a death benefit paid under s. 40.73, may be  
5           made to the ~~fixed core~~ annuity division by any participant by rollover contribution  
6           of a payment or distribution from a pension or annuity qualified under section 401  
7           of the ~~internal revenue code~~ Internal Revenue Code, subject to any limitations  
8           imposed on contributions by the ~~internal revenue code~~ Internal Revenue Code,  
9           applicable regulations adopted under the ~~internal revenue code~~ Internal Revenue  
10          Code, and rules of the department.

11          **SECTION 38.** 40.05 (2) (g) 2. of the statutes is amended to read:

12          40.05 (2) (g) 2. Under the rules promulgated under s. 40.03 (2) (r), a participant  
13          may, as a payout option for the deferred compensation plan established under subch.  
14          VII, elect to have the entire balance in the participant's account under subch. VII  
15          treated as an additional contribution to the ~~fixed core~~ annuity division, subject to any  
16          limitations imposed on contributions by the ~~internal revenue code~~ Internal Revenue  
17          Code, applicable regulations adopted under the ~~internal revenue code~~ Internal  
18          Revenue Code, and rules of the department. Additional contributions under this  
19          subdivision shall be available for all benefit purposes and shall be administered and  
20          invested on the same basis as employee additional contributions, except that ss.  
21          40.24 (1) (f) and 40.25 (4) do not apply to additional contributions under this  
22          subdivision and s. 40.26 does not apply to an annuity received from additional  
23          contributions under this subdivision.

24          **SECTION 39.** 40.06 (5) of the statutes is amended to read:

1           40.06 (5) Whenever it is determined that contributions and premiums were not  
2     paid in the year when due, the amount to be paid shall be determined at the employee  
3     and employer contribution or premium rates in effect when the payment should have  
4     been made and increased by interest at the effective rate which would have been  
5     credited if the amount had been paid and deposited in the accumulation reserves of  
6     the ~~fixed~~ core annuity division under s. 40.04 (4) and (5) at the time the contributions  
7     or premiums were due. The employer shall collect from the employee the amount  
8     which the employee would have paid if the amounts had been paid when due, plus  
9     the corresponding interest, and shall transmit the amount collected to the  
10    department together with the balance of the amount to be paid, or the employer may  
11    elect to pay part or all of the employee amounts.

12           **SECTION 40.** 40.08 (4) of the statutes is amended to read:

13           40.08 (4) RETENTION OF PAYMENTS. Unless voluntarily repaid and except as  
14    limited by sub. (10), the department may retain out of any annuity or benefit an  
15    amount as the department in its discretion may determine, for the purpose of  
16    reimbursing the appropriate benefit plan accounts for a balance due under s. 40.25  
17    (5) or for any money paid, plus interest at the effective rate of the ~~fixed~~ core annuity  
18    division, to any person or estate, through misrepresentation, fraud, or error. Upon  
19    the request of the department any employer shall withhold from any sum payable  
20    by the employer to any person or estate and remit to the department any amount,  
21    plus interest at the effective rate of the ~~fixed~~ core annuity division, which the  
22    department paid to the person or estate through misrepresentation, fraud, or error.  
23    Any amount, plus interest at the effective rate, not recovered by the department from  
24    the employer may be procured by the department by action brought against the  
25    person or estate.

1           **SECTION 41.** 40.23 (2m) (c) of the statutes is amended to read:

2           40.23 (2m) (c) The annuity which can be provided from a sum equal to 200%  
3           200 percent of the excess accruing after June 30, 1966, for teacher participants, or  
4           December 31, 1965, for all other participants, of the participant's required  
5           contribution accumulation reserved for a variable annuity over the amount to which  
6           the contributions would have accumulated at the ~~fixed~~ core annuity division effective  
7           rate if not so reserved. If the participant's required contribution accumulation  
8           reserved for a variable annuity is less than the amount to which the contributions  
9           would have accumulated at the ~~fixed~~ core annuity division effective rate if not  
10          reserved, the annuity shall be reduced by the amount which could be provided by a  
11          sum equal to 200% 200 percent of the deficiency.

12          **SECTION 42.** 40.27 (2) (intro.) of the statutes is amended to read:

13          40.27 (2) ~~FIXED~~ CORE ANNUITY RESERVE SURPLUS DISTRIBUTIONS. (intro.)  
14          Surpluses in the ~~fixed~~ core annuity reserve established under s. 40.04 (6) and (7)  
15          shall be distributed by the board if the distribution will result in at least a 0.5 percent  
16          increase in the amount of annuities in force, except as otherwise provided by the  
17          department by rule, on recommendation of the actuary, as follows:

18          **SECTION 43.** 40.27 (2) (a) of the statutes is amended to read:

19          40.27 (2) (a) The distributions shall be expressed as percentage increases in the  
20          amount of the monthly annuity in force, including prior distributions of surpluses  
21          but not including any amount paid from funds other than the ~~fixed~~ core annuity  
22          reserve fund, preceding the effective date of the distribution. For purposes of this  
23          subsection, annuities in force include any disability annuity suspended because the  
24          earnings limitation had been exceeded by that annuitant in that year.

25          **SECTION 44.** 40.27 (2) (b) of the statutes is amended to read:

40.27 (2) (b) Prorated percentages based on the annuity effective date may be applied to annuities with effective dates during the calendar year preceding the effective date of the distribution, as provided by rule, but no other distinction may be made among the various types of annuities payable from the fixed core annuity reserve.

**SECTION 45.** 40.27 (2) (c) of the statutes is amended to read:

40.27 (2) (c) The distributions shall not be offset against any other benefit being received but shall be paid in full, nor shall any other benefit being received be reduced by the distributions. The annuity reserve surplus distributions authorized under this subsection may be revoked by the board in part or in total as to future payments upon recommendation of the actuary if a deficit occurs in the ~~fixed~~ core annuity reserves and such deficit would result in a 0.5 percent or greater decrease in the amount of annuities in force, except as otherwise provided by the department by rule.

**SECTION 46.** 40.28 (1) (intro.) of the statutes is amended to read:

40.28 (1) (intro.) Any annuity provided to a participant whose accounts include credits segregated for a variable annuity shall consist of a ~~fixed~~ core annuity and a variable annuity.

**SECTION 47.** 40.28 (1) (b) of the statutes is amended to read:

40.28 (1) (b) The initial amount of the ~~fixed~~ core annuity shall be the excess of the total annuity payable, as determined under s. 40.23, over the amount of the variable annuity.

**(END)**

# BILL

40.27 (2) (b) Prorated percentages based on the annuity effective date may be applied to annuities with effective dates during the calendar year preceding the effective date of the distribution, as provided by rule, but no other distinction may be made among the various types of annuities payable from the ~~fixed~~ core annuity reserve.

**SECTION 45.** 40.27 (2) (c) of the statutes is amended to read:

40.27 (2) (c) The distributions shall not be offset against any other benefit being received but shall be paid in full, nor shall any other benefit being received be reduced by the distributions. The annuity reserve surplus distributions authorized under this subsection may be revoked by the board in part or in total as to future payments upon recommendation of the actuary if a deficit occurs in the ~~fixed~~ core annuity reserves and such deficit would result in a 0.5 percent or greater decrease in the amount of annuities in force, except as otherwise provided by the department by rule.

**SECTION 46.** 40.28 (1) (intro.) of the statutes is amended to read:

40.28 (1) (intro.) Any annuity provided to a participant whose accounts include credits segregated for a variable annuity shall consist of a ~~fixed~~ core annuity and a variable annuity.

**SECTION 47.** 40.28 (1) (b) of the statutes is amended to read:

40.28 (1) (b) The initial amount of the ~~fixed~~ core annuity shall be the excess of the total annuity payable, as determined under s. 40.23, over the amount of the variable annuity.

**(END)**

# MEMORANDUM

from DON DYKE  
Legislative Council

11/17/05

Please jacket for  
introduction in Senate  
the following Law Revision  
bills:

LAB-0864/1

LAB-0869/2

LAB-0870/2

LAB-0874/1

Thanks,

Don  
plus → over

Per Leg. Council  
Don Dyke

~~LAB-0853/1~~  
LAB-0853/1